

ANNUAL REPORT 2016



Royal Cosun

Van de Reijtsstraat 15, 4814 NE Breda
the Netherlands

P.O. Box 3411, 4800 MG Breda
the Netherlands

Tel.: +31 (0)76 530 32 22

Fax.: +31 (0)76 530 33 03

www.cosun.com

info@cosun.com

The Annual Report 2016 is published in English and Dutch. In the event of inconsistencies between the English and the Dutch versions, the latter shall prevail. In addition to this Annual Report, Cosun issues a separate digital Sustainability Report. The annual reports are also available at: www.annualreport-cosun.com

Entered in the Trade Registry
of the Chamber of Commerce
under number 20028699.



EXCELLING IN CREATING VALUE FROM CROPS

ABOUT COSUN

Addresses	4
Locations	5
Profile*	6

KEY FIGURES
COOPERATIVE ISSUES

Report of the cooperative	10
Members and shares	11

REPORT

Letter from the Chairman and the CEO*	12
Financial performance*	14
Prospects*	16
Corporate social responsibility*	17

COSUN AT WORK

Innovation and development	20
Suiker Unie	21
Aviko	23
Sensus	24
SVZ	25
Duynie Group	26
New Business	27

MANAGEMENT ISSUES

Risk profile*	28
Corporate governance*	32
Report of the Supervisory Board	33
Members of the Board, Supervisory Board, Executive Board and Works Council*	35

ANNUAL ACCOUNTS 2016

Consolidated balance sheet	38
Consolidated profit and loss account	39
Consolidated cash flow statement	40
Notes to the consolidated annual accounts	41
Cooperative balance sheet	60
Cooperative profit and loss account	61
Notes to the cooperative annual accounts	62

OTHER INFORMATION

Provisions of the Articles of Association governing profit appropriation	70
Independent auditor's report	71

* These sections constitute the Directors' Report within the meaning of article 2:391 of the Dutch Civil Code



ADDRESSES

ROYAL COSUN

P.O. Box 3411
4800 MG Breda
The Netherlands
Telephone: +31 (0)76 530 32 22
Fax: +31 (0)76 530 33 03
www.cosun.com
info@cosun.com

COSUN FOOD TECHNOLOGY CENTER

P.O. Box 1308
4700 BH Roosendaal
The Netherlands
Telephone: +31 (0)165 58 28 10
Fax: +31 (0)165 55 13 52
www.cosun.com
cftc@cosun.com

AVIKO

P.O. Box 8
7220 AA Steenderen
The Netherlands
Telephone: +31 (0)575 45 82 00
Fax: +31 (0)575 45 83 80
www.aviko.nl
customerservice@aviko.nl

DUYNIE GROUP

P.O. Box 86
2400 AB Alphen aan den Rijn
The Netherlands
Telephone: +31 (0)172 46 06 10
Fax: +31 (0)172 47 34 10
www.duyniegroupp.com
info@duyniegroupp.com

SENSUS

P.O. Box 1308
4700 BH Roosendaal
The Netherlands
Telephone: +31 (0)165 58 25 00
Fax: +31 (0)165 56 77 96
www.inspiredbyinulin.com
info@sensus.nl

SUIKER UNIE

P.O. Box 100
4750 AC Oud Gastel
The Netherlands
Telephone: +31 (0)165 52 52 52
Fax: +31 (0)165 52 52 55
www.suikerunie.com
info@suikerunie.com








SVZ

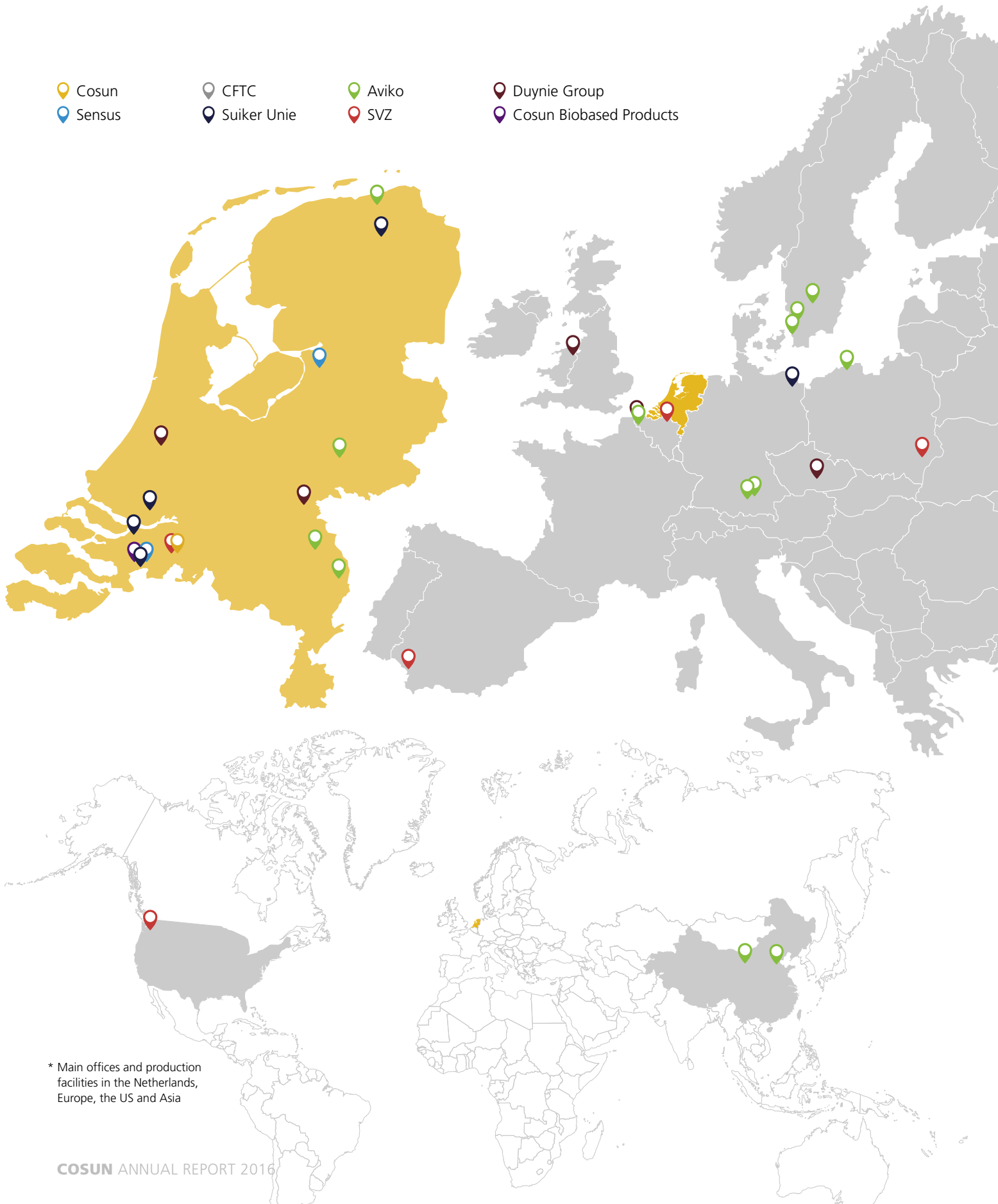
P.O. Box 9535
4801 LM Breda
The Netherlands
Telephone: +31 (0)76 504 94 94
Fax: +31 (0)76 504 94 00
www.svz.com
info@svz-nl.com

COSUN BIOBASED PRODUCTS

P.O. Box 3411
4800 MG Breda
The Netherlands
Telephone: +31 (0)76 530 33 33
www.cosunbiobased.com
biobasedproducts@cosun.com

LOCATIONS*

- | | | | |
|--|---|---|---|
|  Cosun |  CFTC |  Aviko |  Duynie Group |
|  Sensus |  Suiker Unie |  SVZ |  Cosun Biobased Products |



* Main offices and production facilities in the Netherlands, Europe, the US and Asia

Turnover

€ 1,988 million

3,896 employees
(FTE)35 production facilities
in 10 countries9 million tonnes of
vegetable raw materials
processed

8,856 members / shareholders



PROFILE

Royal Cosun is an agro-industrial group that processes arable crops and other vegetable raw materials. Cosun is a cooperative of some 8.800 Dutch sugar beet growers. The cooperative has been processing its members' sugar beet since 1899. Over the years we have added new activities to our portfolio, nearly all of them relating to agriculture or horticulture.

PLANTS AND PRODUCTS

We produce a wide range of ingredients and intermediate products from vegetable raw materials such as sugar beet, potatoes, chicory, fruit and vegetables for the international food industry. We also make products that are sold to consumers through the foodservice (out-of-home and wholesale outlets) and retail channels. We are increasingly developing ingredients for non-food applications. We supply products to the animal feed sector, develop building blocks for biobased chemicals and produce bio-energy (green gas).

Of all the businesses that make up Cosun, Suiker Unie and Aviko are the most widely known. They have traditionally produced sugar and potato specialities respectively. Sensus produces inulin from chicory. Inulin is a dietary fibre that reduces the sugar and fat content of foodstuffs. SVZ processes fruit and vegetables into concentrates and purees for the food industry. The Duynie group is a trader and distributor of animal feed and develops advanced applications based on residual flows and co-products from the food industry.

INNOVATION

Cosun Biobased Products specialises in the development and production of functional green chemicals and materials based on renewable vegetable raw materials. Its innovations are used in a wide range of applications. To this end, like the other Cosun business groups, it works closely with Cosun Research & Development (R&D). This joint R&D centre has a modern and well-equipped facility where it improves the use of agricultural raw materials, innovates process technology, optimises energy management and, in cooperation with customers, develops new products. Cosun R&D also works with a variety of institutions and universities in the Netherlands and abroad.

MISSION

Cosun's objective is to excel in the creation of value from plant-based raw materials for the benefit of its customers, growers and staff. Our goal is to make optimal use of the crops while respecting the environment. By working with others, we learn through doing and continuously strive to be better. Together, we add lasting value to the agricultural supply chain and strengthen the continuity of arable farming in the Netherlands, the Cosun business groups and society.

We encourage our staff to get the best out of themselves in a pleasant and safe working environment.

OUR PRINCIPLES

Cosun recognises the value of corporate social responsibility. The Cosun Principles provide guidance for all our staff, directors and supervisors. They describe how we should conduct ourselves and what we can be held accountable for, not only by each other but also by our customers, business associates and the society of which we are a part. We have identified four key concepts that define our values and standards and how we can live up to them in our work and our contact with each other:

- We work together
- We work sustainably
- We show respect
- We set store in a safe workplace and a good product

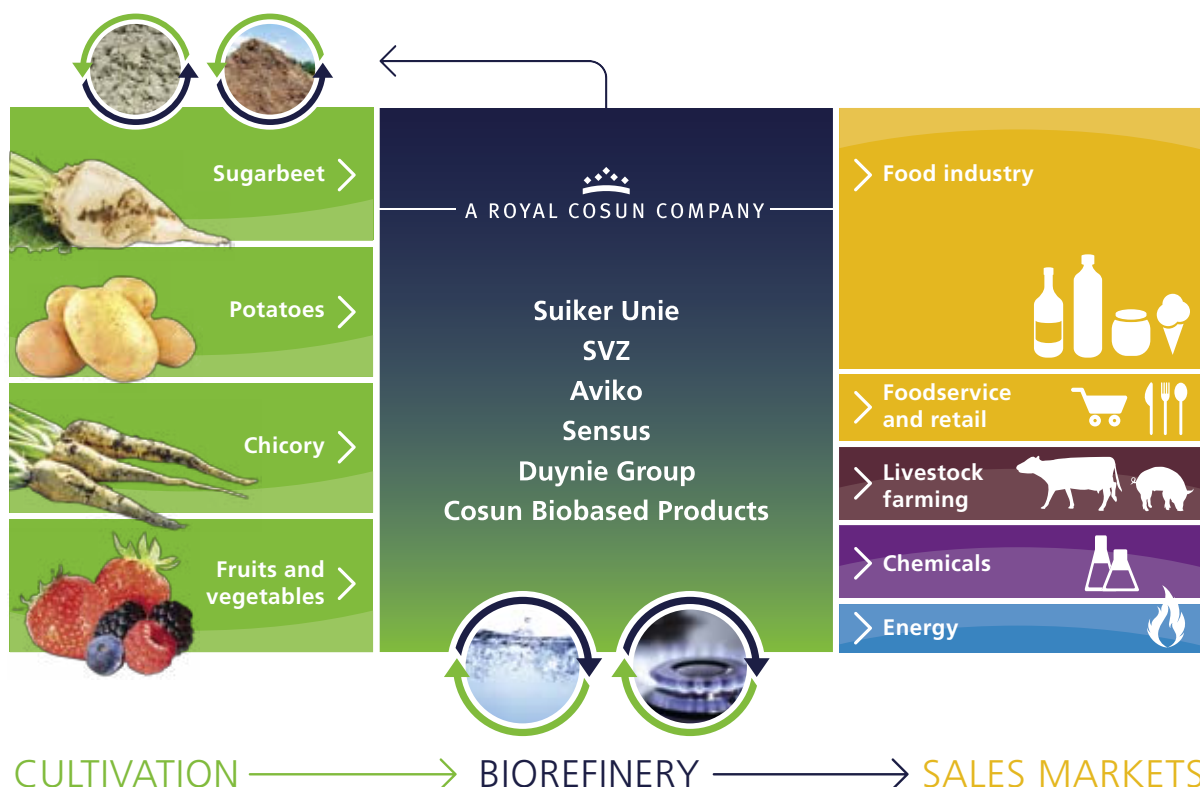
STRATEGY

Our strategy is to achieve profitable growth by sustainably processing plant-based raw materials into products and ingredients for use in foodstuffs, animal feed, non-food applications and renewable energy. In doing so, we contribute to the continuity of Dutch arable farming, the Cosun business groups and society in general by creating a variety of products, with foodstuffs at the forefront. We consider Europe to be our home market but spread our wings as far as America and China. Profitable growth is a means to create value. We have prioritised organic growth in our core activities in order to retain or even increase our market share and growth through the innovation of processes, new ingredients and new biobased markets.

BUSINESS MODEL

Cosun is a link between plant-based raw materials and products (both bulk and specific) in many markets. Our core activity is the large-scale biorefinery of plant-based raw materials (biomass) to extract as much of the high value ingredients as we can.

We make use of everything we extract and attempt to close cycles wherever we can. Our commitment and contribution extend to the very start of the supply chain, where we advise and support our growers. Sophisticated delivery logistics brings the biomass to our factories for processing. Our focus on innovation embraces both product development and the sustainability of the processes.



KEY FIGURES

As a cooperative of Dutch sugar beet growers, Cosun buys the sugar beet supplied by its members at a price based in part on the group's results. The beet price is recognised in full in the profit and loss account as a cost of raw materials and consumables. It therefore influences the operating profit and net profit for the year, as disclosed in the table below.

In millions of euros (unless stated otherwise)	2016	2015
FINANCIAL		
Net turnover	1,988	1,948
Operating profit	77	59
Recurring EBITDA*	172	167
Net result	56	46
Cash flow from operating activities	190	54
Capital expenditure on fixed assets	121	109
Group equity	1,178	1,165
Group equity as a percentage of total assets	66	66
Average beet yield per hectare in the Netherlands (in euros)	3,317	3,301
Quota sugar beet price** (in euros)	44.15	43.01
Members' bonus	71	69
SOCIAL		
Average number of employees***	3,896	3,912
Sickness absence (%)	4.0	3.9
Number of lost-time incidents (per 1,000 employees)	21	24
ENVIRONMENT****		
CO ₂ emissions (in tonnes per tonne of product)	0.21	0.22
Water consumption (in m ³ per tonne of product)	2.6	2.6
Residual matter (in tonnes per tonne of product)	0.06	0.06

* Recurring EBITDA comprises operating profit before depreciation and amortisation and after adjustment for activities divested and non-recurring items.

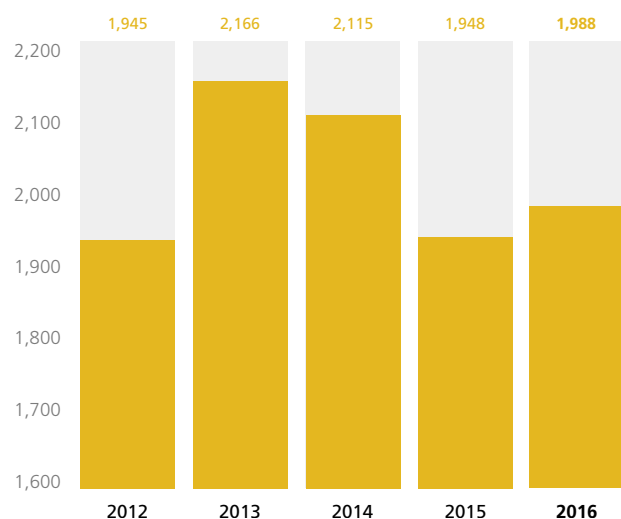
** Per tonne of beet with average sugar content and average extractability.

*** Average number of FTEs.

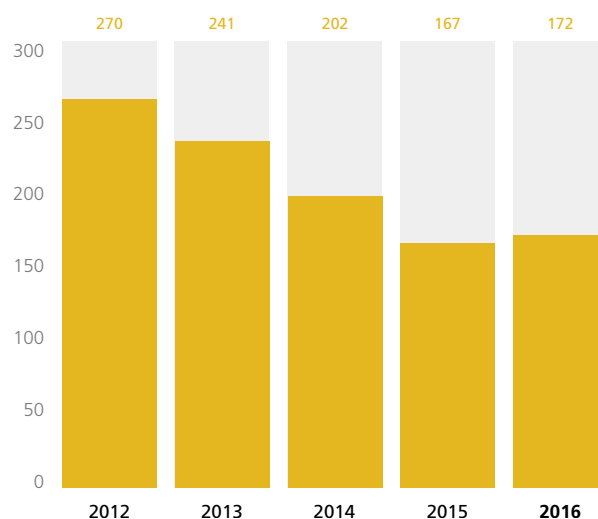
**** See page 18 of this report for further information.



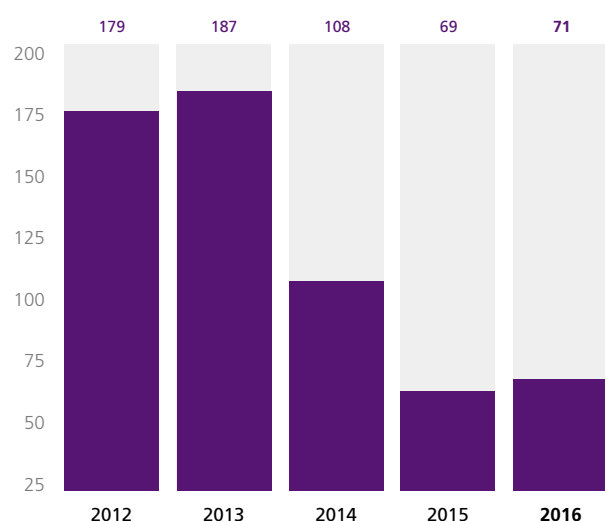
Net turnover in millions of euros



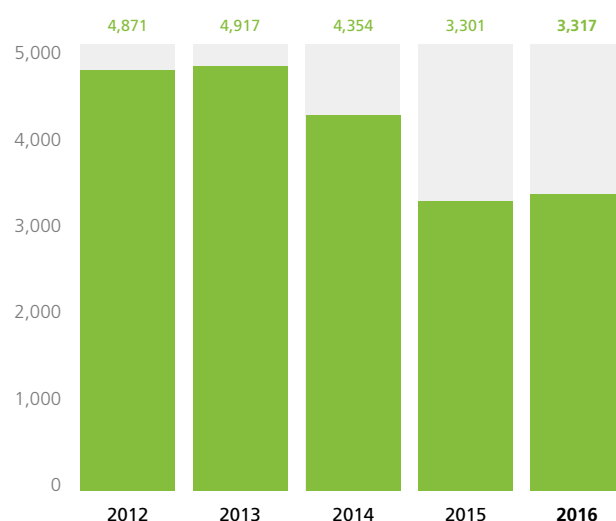
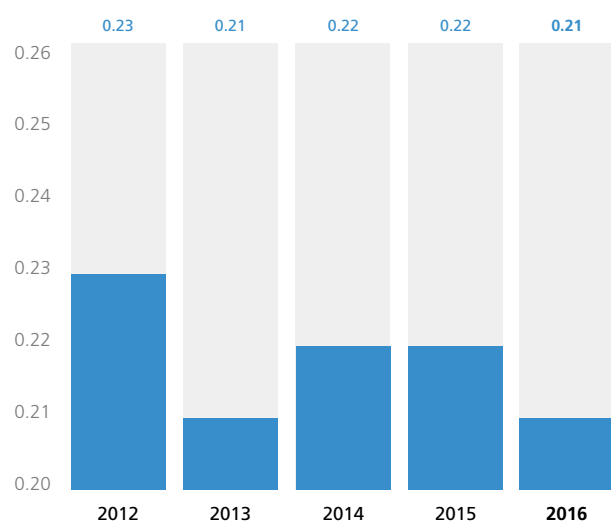
Recurring EBITDA in millions of euros



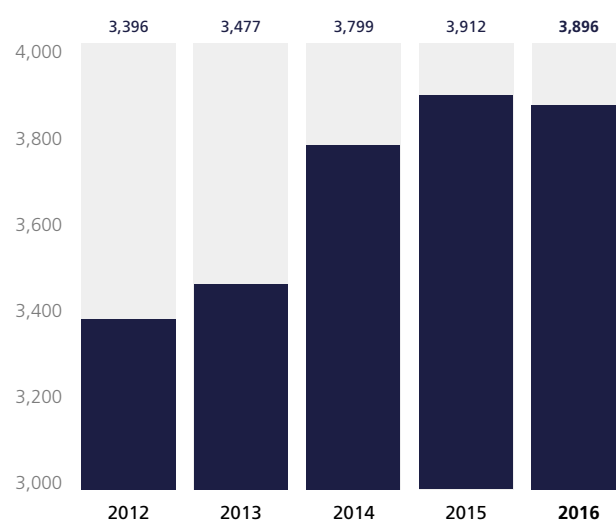
Members' bonus in millions of euros



Average beet yield per hectare in euros

CO₂ emissions in tonnes per tonne of product

Number of employees, average in FTEs



REPORT OF THE COOPERATIVE

The European sugar market will enter a new era in 2017, when sugar production is no longer regulated by the European Union. The sugar beet growers, the cooperative and the sugar business have all prepared themselves for the changes. In the final year of the common sugar market organisation, the beet price paid to members exceeded expectations.

The Members' Council met on three occasions during the year. The measures and investments in anticipation of the end of the common sugar market were frequent points of discussion. Cosun successfully introduced a new sugar supply system based on member certificates. The introduction of the new system required an amendment of the cooperative's Articles of Association and regulations.

The Members' Council also approved a proposal to admit CSV COVAS as a member of Cosun. This regional cooperative of beet growers is currently Cosun's only C member and its members are thus indirect members of Cosun. The Board of CSV COVAS had taken the initiative to study the potential benefits of joining Cosun. Direct membership proved to be the best option for the longer term. CSV COVAS's organisation will be wound up and terminated in due course. The aim is to complete the transition by 1 May 2017 so that Cosun will have only direct members as from that date.

The regulations on the payment made to growers terminating their business have been amended. With effect from 2017, the payment will take account of the results of more years than at present. Payments are currently based on the average result in the three years before the year in which a member applies for the payment. This will be increased in steps until 2020, when the payment will be determined by the average result during the previous seven years. This arrangement will end in 2020, after which the oldest year will drop out and a new year will be added. As a result, the amount of the payment for a particular year will vary less from that for the previous and following year.

MANAGEMENT MATTERS

The Vice-Chairman of the Board, Gerard van Tilburg, retired at the 2016 Annual General Meeting. He was not eligible for re-election. Cosun is extremely grateful to this dedicated and experienced Board member for his great commitment to the cooperative over many years. Arwin Bos was appointed to fill the vacancy and Johan Klonpe assumed the position of Vice-Chairman.

Biense Visser, external member of the Supervisory Board, has since stood down. Hans Huistra was elected to fill the vacancy as from 8 February 2017.

The vacancies on the Board and the Supervisory Board were announced within the cooperative for the first time via the members' magazine and the website in 2016. A job description and an invitation to apply directly to the Secretary produced several responses from suitable candidates who otherwise might not have put themselves forward. In view of this positive response, the new method will be continued.

The Youth Council organised several activities in 2016 to deepen its members' knowledge of both the cooperative and its activities. The pinnacle of the year was the Cosun Youth Day in December. Some 250 young members met in Dronten to learn more about each other and Cosun and the issues that affect them as young farmers. The ambition of having young people learn about management seems to be bearing fruit: several members and former members of the Youth Council have moved on to the Members' Council.

COSUN SUGAR SYSTEM

The number of member supply certificates in issue was increased by 20% in 2016. The many members who had subscribed for more received 20.7% additional certificates. More certificates could not be issued because most of the members exercised their right to increase their holdings by 20%. On balance there is a great deal of interest in increasing the beet crop. An estimate based on seed orders indicates that some 84,500 hectares will be sowed with sugar beet in 2017.

Part of the crop was frozen by the sudden frost at the end of November. Two thousand hectares of beet were still in the ground at the time. The Board introduced a frost compensation scheme in response and growers applied to have 175,000 tonnes of beet transported and processed ahead of schedule. Cosun charged the growers concerned an additional processing fee.

Heavy rainfall also took its toll during the year, especially in the east of Brabant and in Limburg. Members who lost part of their crop in the saturated fields and were thus unable to supply their reference volumes will not see a reduction in their supply certificates or their allocation for the following year's campaign, provided they had originally sowed sufficient hectares.

The Members' Council agreed to a proposal to make Unitip compulsory as from 2018. The aim is to show how the beet are grown and how sustainable the sugar is that we sell to major international customers. Customers are making stricter demands regarding sustainability. To encourage the members to use Unitip before it becomes compulsory, farmers adopting the system before 2018 will be paid a premium of EUR 250 in 2016 and 2017.

MEMBERS AND SHARES

	AS AT 31-12-2016		AS AT 31-12-2015	
DISTRICT / SECTION	Number of members	Number of shares	Number of members	Number of shares
Zeeuwsch-Vlaanderen	731	8,853	736	8,870
Zeeland-Midden	620	7,800	630	7,807
Zeeland-Noord	335	4,633	340	4,638
Goeree-Overflakkee	209	3,573	215	3,538
West-Brabant	783	9,642	803	9,636
Zuid-Hollandse Eilanden	322	5,020	325	5,010
Holland-Midden	244	4,037	256	4,100
Kop van Noord-Holland	403	7,237	406	7,210
Oostelijk Flevoland	356	9,247	375	9,476
Noordoostpolder	606	9,559	618	9,747
Friesland	256	4,755	267	4,795
Groningen	1,024	20,810	1,045	20,621
Drenthe/Overijssel-Noord	964	22,774	969	22,571
Overijssel-Zuid / Gelderland	296	3,848	305	3,862
Oost-Brabant+Limburg (CSV COVAS)	1	28,061	1	28,061
Zuidelijk Flevoland	148	4,788	150	4,914
	7,298	154,637	7,441	154,856
B-members CSV COVAS as at 1-05-2016	1,558		1,698	
TOTAL members Cosun	8,856		9,139	

LETTER FROM THE CHAIRMAN

Despite the weak European sugar prices and the tightness on the animal feed market throughout the year, Cosun managed to turn in an even better result than in the previous year. This is proof that the priority we have given to operational excellence can pay off even in less favourable market conditions. The price our cooperative was able to pay for its beet could not be matched anywhere else in the EU. Aviko reported a particularly strong improvement in its result. Cosun is in robust health and is looking forward to the period after the termination of the EU common sugar market with confidence.

Dirk de Lugt:

“After 50 years, we are now approaching the end of regulated sugar production in the European Union. Cosun has thoroughly prepared itself for the change.”

We continued to implement our strategy during the year. We made substantial investments in the production capacity of our factories in order to facilitate organic growth. Suiker Unie will complete the implementation of most of its long-term master plan in 2017. Aviko will invest more to increase its capacity in the years ahead, starting with its existing production facilities. At the same time, we are working across the board to perfect the current processes, optimise safety at work and the quality of our products and maximise cost savings.

After 50 years, we are now approaching the end of regulated sugar production in the European Union. Cosun has thoroughly prepared itself for the change. We have seen more frequent and wider swings in European sugar prices in recent years and the profit contribution from our sugar activities has fluctuated accordingly. We have also seen that the cooperative has the resilience necessary to withstand the turbulence in the sales markets.

GLOBAL DEVELOPMENTS

Some of the events we witnessed last year would previously have been thought impossible. Donald Trump was elected President of the United States, the United Kingdom voted to leave the EU and the outcomes of the elections in the Netherlands, France and Germany are too uncertain to call. The playing fields in Europe and the rest of the world are changing rapidly and unpredictably. Being robust is no longer enough; we also have to be agile. If we cannot control the conditions, we have to take advantage of the opportunities. The climate goals to reduce CO₂ emissions, for example, are an opportunity for all arable farmers, but especially for sugar beet growers. The crop can store a relatively high amount of carbon dioxide. Innovative use of the biomass produced at our production facilities is also compatible with the climate policy. International business will not benefit from new trade barriers, and Cosun is no exception. But it will prosper only if the playing field is level and the regulations are consistent.



AND THE CEO

SOLID FOUNDATIONS

Our ambition remains to create value by making optimal use of all parts of the vegetable raw materials we process. We have a proven track record in this area and we intend to protect it so that we remain the leader in our markets. Profitable organic growth is our aim. We can also generate more added value by keeping our costs low, raising the efficiency of our production and innovating new processes. The trend towards more biobased (green) components in non-food applications offers opportunities, but they are not without their costs. The composition of our business portfolio forms a solid foundation to pay the members of the cooperative an acceptable price for their sugar beet, even if the results on sugar activities are disappointing.

INCREASED BEET CROP

Sugar beet is and will remain an attractive crop. We have identified opportunities for further growth in Europe and openings to sell sugar in regions that have a shortage. By keeping our costs as low as possible and deploying smart logistics, we can serve our major international customers wherever they wish.

This also offers opportunities to ambitious farmers. As a cooperative of beet growers, we issued additional supply certificates to the members during the year in order to control growth. These tradeable certificates give the growers the right to supply more beet. The number of certificates issued each year is based on the annual forecast of the sugar sales expected for that year. This system helps keep the total beet crop in step with the projected volume of sugar sales.

NEW ERA

We prepared ourselves for the period after the EU common sugar market in recent years. We are ready for the change: we have a solid financial position, our factories are in order, and our staff and the members of the cooperative are eager to commence. Our customers and business partners are relying on the continuity and quality of our supplies and cooperation in the value chain. Together with our suppliers and partners in the value chain we will work on the sustainability of food production and the biobased economy. *Noblesse oblige*, we want to be worthy of our "Royal" title.

Dirk de Lugt
Chairman of the Board

Robert Smith
President & CEO

Breda, 16 March 2017

Robert Smith:

"Our ambition remains to create value by making optimal use of all parts of the vegetable raw materials we process."



FINANCIAL PERFORMANCE

Cosun performed better than expected and reported higher results in 2016 than in 2015. At EUR 1,988 million, turnover was 2% higher than in the previous year. Operating profit came to EUR 77 million. The expected fall in results at Suiker Unie was more than offset by higher results from all other activities. Aviko's potato activities made a particularly strong contribution to the result.

RESULTS

Operating profit including non-recurring items came to EUR 77 million in 2016 (2015: EUR 59 million). Recurring EBITDA (earnings before interest, tax, depreciation and amortisation, excluding non-recurring items) increased by EUR 5 million to EUR 172 million, in comparison with EUR 167 million in 2015. The bonus paid to the cooperative's members as part of the beet price rose 3% to EUR 71 million (2015: EUR 69 million). Despite the low sugar price levels in the EU, the members received a reasonable price for their beet. The members' bonus is recognised in operating profit as a cost of raw materials. The net profit for the year came to EUR 56 million (2015: EUR 46 million).

PERFORMANCE OF THE BUSINESS GROUPS

Suiker Unie reported a modest result in comparison with previous years but it was nonetheless satisfactory in the circumstances. The lower profit was influenced mainly by the small campaign in 2015 and the downward trend in sugar prices due to high stock levels and weak prices on the world market at the beginning of 2016. Pulp prices were also lower. The fall in results was halted by a recovery in the world market price in the course of 2016 in combination with firmer European sugar prices in the fourth quarter, and strict cost control.

The yield in the Netherlands in the 2016 season amounted to 13.3 tonnes of sugar per hectare. This is less than in 2015 but still good in the circumstances. Sowing was later than customary and extremely heavy regional rainfall caused the loss of about 2,000 hectares of sugar beet. The Dutch sugar factories had an excellent campaign and processed a high volume of beet each day. The campaign in the Netherlands lasted 109 days, with about 5.6 million tonnes of beet being processed into 934,000 tonnes of sugar.

A substantial volume of raw cane sugar was again refined into white sugar. The factory in Anklam, Germany, had an excellent and profitable campaign, processing a constant volume of beet each day.

Aviko made significant advances in its result in 2016, partly because of its prompt response to opportunities in the market and the increased efficiency of its activities. Following a disappointing harvest in 2015 and the expected low availability of potatoes from the early harvest in 2016, selling prices were firmer thanks to the good potato position. In addition to this one-off impact, a detailed multiyear cost saving programme, "Fit for Growth", made a significant contribution to the higher profit. Market conditions are good. In Europe, sales of frozen fries were higher in central and southeast Europe. Outside Europe, sales grew particularly strongly in central Asia. The result on the granule and flake activities was higher than in the previous year. Results on the Chinese flake activity were lifted by a good return on the raw materials despite the greater competition on price on the Chinese market.

Inulin producer Sensus turned in a higher result than in 2015 on lower sales and turnover. Sales were weaker in the United States but stronger in Europe, buoyed by the trend in sugar reduction. Increased competition led to lower average selling prices than in 2015. Thanks to strict control of production costs, Sensus managed to widen its margin. More chicory was processed during the campaign than in 2015; both the root yield and the inulin content were higher than in the previous year. The quality of the inulin produced was good throughout the entire campaign.

SVZ's result was in line with that for 2015. Better results were achieved on the European market owing to an improved product mix and higher efficiency. Results in America were lower on account of high stock levels, lower volumes and a series of non-recurring items.

Demand for fruit juice was lower, as it had been in the previous year, but demand for vegetable juice was higher. Following the closure of the factory in Karczmiska in 2015, the site was sold in 2016. The factory's production has been transferred to SVZ's main production facility in Poland. With the exception of strawberries in Poland, harvests were reasonable to good.

Duynie Group was unable to improve on its result for 2015. A weak livestock market exerted pressure on animal feed margins. The group's other activities turned in comparable or better results. Sales to the biogas industry were slightly lower but the margin was good. The result on starch activities was better. Prices were raised by quality improvements. Duynie increased the sales and results of its ingredients activity by responding to opportunities in the pet food market.

FINANCIAL INCOME AND EXPENSE

Total financial expense in 2016 amounted to EUR 3 million owing to the limited use of external finance. This is slightly lower than in the previous year. The repayment of the final tranche of the debt to institutional investors in mid-2015 had a positive impact in 2016. The amount paid to members under the beet delivery/business termination regulations was also lower. Investments for the year were again higher than depreciation. Production capacity was increased at both the sugar activities and the fries and flake activities. At the Nieuw Prinsenland business park being developed by Suiker Unie in Dinteloord, construction work continued on the new Cosun Innovation Center. Additional financing was also attracted in 2016 for the Cosun member loan programme introduced in 2015. Under this programme, members of Cosun can lend part of their beet delivery/business termination payments to the cooperative each year for a fixed term of between two and five years.

TAX BURDEN

The effective tax rate for the year was 24.2%. This is considerably higher than in the previous year (14.7%). In 2015 the tax burden had been reduced by tax facilities for innovation, research and development and environmental investments. Liquidation losses had also been responsible for a one-off reduction in the tax burden. Losses on certain foreign activities were not recognised in 2016.

CASH FLOW

Cosun generated a positive cash flow from operating activities of EUR 190 million in 2016 (2015: EUR 54 million). The increase for the year was due in part to the higher operating profit. Working capital, moreover, was reduced by lower stock levels and higher short-term debt. The cash flow for the year was more than adequate to finance investments and payments to members. The healthy cash flow and cash position provide a solid platform for the future.

INVESTMENTS

Investments in tangible and intangible fixed assets amounted to EUR 121 million (2015: EUR 104 million). Investments were made in the sugar activities chiefly to increase production capacity and make it more flexible. Regular replacement investments were also made. The sugar factory in Dinteloord invested in a thick juice tank and an increase in its evaporation capacity, and the factory in Anklam invested in its diffusion capacity. Aviko is implementing a multiyear investment master plan to increase the production capacity and flexibility of its fries factories. It also invested in additional capacity for specialities. Construction of the Cosun Innovation Center is expected to be completed in the summer of 2017. It will eventually also house the IRS (the Netherlands' sugar beet knowledge and research institution). Other investment projects related chiefly to replacement investments at Sensus, SVZ and Duynie.

BALANCE SHEET

Total assets increased by EUR 17 million to EUR 1,790 million, chiefly because investments were higher than regular depreciation. A lower working capital requirement improved the cash position by EUR 20 million. The higher profit and lower payment under the beet delivery/business termination regulations increased group equity by EUR 13 million to EUR 1,178 million (2015: EUR 1,165 million). Group equity at 31 December 2016 was equal to 66% of total assets, the same percentage as at 31 December 2015. The group financing position remains strong and we expect no significant changes in it in 2017.

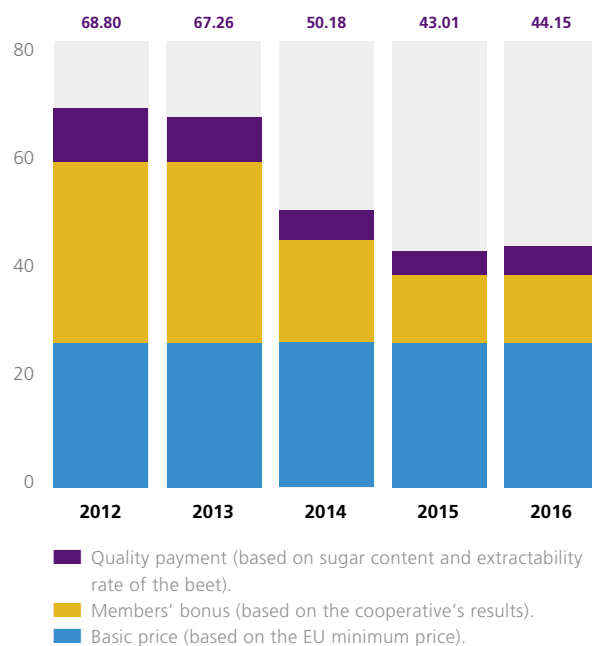
BEET PRICE

The members' bonus for 2016 was set at EUR 71 million and was paid as part of the quota beet price. As part of the 2016 payment, members also received the quota beet price on 7% of their surplus beet. In 2015 they had received the quota beet price on 5% of the surplus beet.

The basic price for quota beet of EUR 26.25 per tonne was based on the EU minimum price and was equal to that paid in 2015. The members' bonus came to EUR 12.25 per tonne (2015: EUR 12.25). In total, the price paid to members per tonne of quota beet with 16% sugar content and an extractability rate of 87 came to EUR 38.50. The price paid to members per tonne of quota beet with average extractability and average sugar content was EUR 44.15. The average price paid for surplus beet was EUR 28.62.

The average sugar yield per hectare was 13.3 tonnes; this is less than in 2015 (13.9 tonnes). The average financial yield per Dutch beet grower was EUR 3,317 per hectare. This is EUR 16 higher than in the previous year as the higher sugar content and reduced tare more than made up for the lower yield per hectare.

Quota beet price* in euros per tonne



* Price in EUR per tonne with average sugar content and average extractability.

PROSPECTS

The price volatility of agricultural products has a significant influence on Cosun's results. The impact of low European sugar prices in 2016 can clearly be seen in the results of the sugar activity. The termination of the EU sugar market in 2017 will transform market conditions. It will increase the production of sugar beet and create additional competitive pressures. Price levels in the fourth quarter are therefore uncertain.

Nevertheless, we expect the sugar activities to improve on their operating profit in 2017 as a result of the lower costs arising from the 2016 campaign and higher selling prices for sugar in Europe and on the world market during the first three quarters in comparison with 2016.

Suiker Unie is well prepared for the new market conditions. Its production capacity has been considerably increased in anticipation of the end of the common market organisation and its market position was further strengthened during the past year. Less raw cane sugar will be refined and more beet will be processed into white sugar in 2017.

We expect Aviko to post a slightly lower result in the wake of the favourable market conditions in 2016. Sensus will see a modest decline in its result on account of the relentless competition. SVZ will see a limited fall in its result owing to variations in the harvests of its main types of fruit. We expect Duynie's result to be lifted by a recovery in turnover and margins in improved market conditions.

Cosun will continue to invest in strengthening its presence in the various market segments in the year ahead. We will do so by investing in organic growth through efficiency gains and innovation and where possible in strategic acquisitions. We do not expect any change in the number of employees.

CORPORATE SOCIAL RESPONSIBILITY

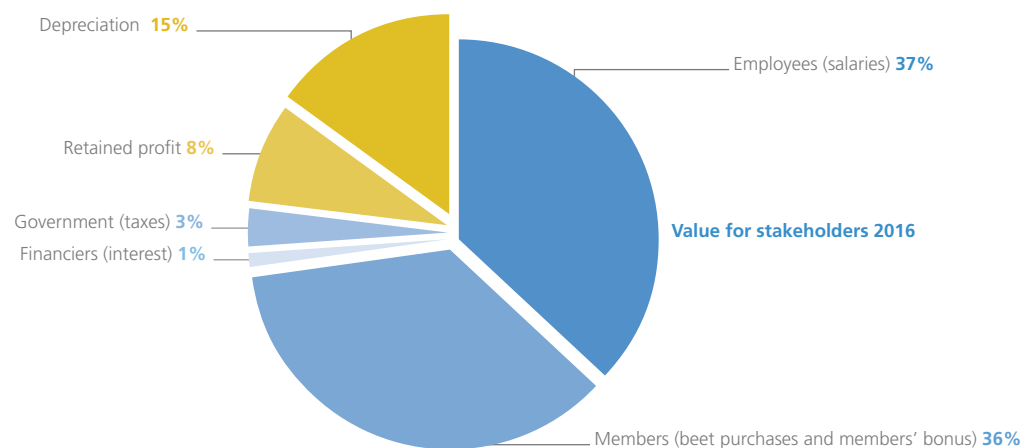
Cosun is responsible for everything that happens within the business groups. How safe are working conditions? How do we use the raw materials, energy and water? And we feel equally responsible for how our raw materials are grown and for the inconvenience to local residents caused by our factories.

A business must meet the needs of its customers and create value for its stakeholders. The figure below shows what we did with the value Cosun created in 2016. We paid the members for the beet they supplied, including the members' bonus,

we paid salaries to the employees and remitted taxes to the government. We also invested some of the results in the further growth and development of Cosun.

Added value (in millions of euros)	2016	2015
Net turnover	1,988	1,948
Other revenue and stock movements	-/- 13	39
Payments to suppliers of raw materials	-/- 965	-/- 981
Payments to other suppliers	-/- 353	-/- 364
Added value created	657	642
Employees (salaries)	243	255
Members (beet payments and members' bonus)	237	230
Financiers (interest)	3	6
Government (taxes)	18	8
Value created for stakeholders	501	499
Retained profit	56	46
Depreciation and amortisation	100	98
Value created for reinvestment	156	143

Reinvested value 2016



PRIORITIES

As well as creating value for our stakeholders, principally the members of the cooperative, we have identified four areas where we are able and willing to bring our influence to bear:

- optimising farm production in recognition of our responsibility to growers and the environment;
- optimising production processes with a view to maximising the use of raw materials and conserving the environment;
- investing in staff skills and a safe working environment;
- respecting the interests of other stakeholders and being accountable to them.

OPTIMISING CROP CULTIVATION

Sustainable cultivation means realising the highest possible yield per hectare using the fewest possible inputs. New varieties and modern processing techniques are good for the soil and biodiversity. Soil conservation and biodiversity are important factors for the longer-term security of food supplies.

We and our growers are therefore investing in the further improvement, optimisation and sustainability of cultivation. Cosun is an active participant in many initiatives, such as the SAI Platform for sustainable agriculture, the Skylark Foundation for sustainable arable farming and the Beet Cultivation and Biodiversity project.

The agricultural services and agronomists at our business groups help the growers and suppliers of our raw materials improve their crops.

Crop registration programmes increase our insight into the performance of our growers and enhance the transparency of the production chains. About 60% of all sugar beet growers entered all their 2016 crop data in Suiker Unie's crop registration system, Unitip, during the year. Sensus has introduced a similar programme, Crop-R. About 80% of all chicory growers recorded their data in 2016. Aviko and SVZ are also investing in registration programmes. The more we buy on contract from growers, the easier it is to organise the programmes.

OPTIMISING PRODUCTION PROCESSES

Our factories need energy to process raw materials into foodstuffs and intermediate products. Energy use per tonne of product is a measure of the efficiency of our production processes: the lower the better. In 2010, Cosun set itself the goal of using 2% less energy per annum. So far, we have met this target every year. If we continue to meet it until 2020, we will have reduced our energy use by 20% in comparison with 2010. Our CO₂ emission in 2016 was 0.21 tonnes of CO₂ per tonne of product (2015: 0.22 tonne of CO₂ per tonne of product). The volume of organic matter was lower than in the previous year, chiefly because of the amount of beet pulp we fermented in our own digesters to produce green gas. There was an increase in other waste products, largely because we demolished some older facilities, such as the washing house at the sugar factory in Groningen. If we ignore this waste, there was a decline in the volume of mixed waste we produced.



EMPLOYEES

Cosun aims to offer all its staff a safe workplace and opportunities to develop themselves and their skills. Good working conditions are important for both the employees' wellbeing and their productivity.

Safety at work is a key priority. The number of lost-time incidents has been declining over recent years. In 2016 there were 21 such incidents per 1,000 FTEs, down from 24 in 2015. To continue this downward trend, Cosun will take extra measures to reduce the number of lost-time incidents. Near-incidents, incidents and unsafe situations will be analysed in order to improve the workplace and staff conduct. The rate of sickness absenteeism rose fractionally from 3.9% to 4.0% but is still below the industry average calculated by Statistics Netherlands (2015: 4.8%).

In full time equivalents, the number of employees at Cosun was slightly lower, down from 3,912 in 2015 to 3,896 in 2016. The number of temporary employees, on the contrary, was higher than in 2015. The number of men in the workforce has always been far higher than the number of women but there was a slight change in the ratio during the year: in 2016 77% of all employees were men and 23% were women. In 2015 the percentage of women had been 21%.

Staff often enjoy a long career with us and accumulate a great deal of knowledge and experience. It is important that they continue to develop their know-how and skills so that they remain employable. We therefore invest in our people by offering them education and training. The average number of training days per employee in 2016 was three.

Cosun offered 118 young people – 74 university students and 44 vocational students – a work placement or graduation project in the Netherlands in 2016. About three-quarters of the work placements and projects relate to process technology, research and development, and quality. As a socially responsible business, Cosun offers placements so that young people can gain relevant work experience. Experienced members of staff act as supervisors and coaches. This costs time, of course, but it is not without results. Young people provide know-how and extra capacity that benefit Cosun and increases the dynamics within the organisation.

ACCOUNTABILITY

More and more companies are selecting their suppliers on the basis of their working conditions and social policies. Cosun's major international customers also set high standards. And they want assurances that the Cosun business groups can meet them. To this end, Sensus and SVZ are members of Sedex, and Aviko is a member of the RSPO (the Roundtable on Sustainable Palm Oil). They are audited by these organisations and the findings are available to our customers.

Cosun has also introduced the Cosun Principles for directors, managers and staff. They describe how we should conduct ourselves and what we can be held accountable for, not only by each other but also by our customers, business associates and the society of which we are a part. The Cosun Principles can be read on our website at www.cosun.com – About Cosun – Corporate Governance.

More information on the measures we take and their results can be found in our CSR Report for 2016 at www.annualreport-cosun.com. Annual reports from previous years are also available on the website.

COSUN AT WORK

INNOVATION AND DEVELOPMENT

Innovation is essential for the development of our business groups. Within Cosun, innovation is encouraged and supported by both Cosun New Business and the scientists at the Cosun Food Technology Centre (CFTC). At CFTC, Cosun's shared research and development centre, more than 70 professionals – from process technologists and chemical analysts to food technicians and microbiologists – work on a wide range of projects.

As their work has widened over the years, the name will be changed to Cosun Research & Development (Cosun R&D) when CFTC moves to its new premises in the summer of 2017. Cosun R&D will support all the Cosun business groups' innovations and operational management, for example by analysing and optimising their processes. It makes a demonstrable contribution to the optimal use of all vegetable raw materials with the least possible energy use. The specialists' know-how is applied throughout the business groups.

Cosun R&D worked with all the business groups in 2016. It helped a marketing and sales department with its product development, for example, and enabled a group of colleagues to use the quality analysis evaluation system. The system helps companies work with fewer analyses while maintaining quality.

INNOVATION INITIATIVES

The R&D professionals are often involved in innovative projects at the business groups. Both the production processes and the applications of special sugars and Betafib, a microfibre made from beet pulp, were developed with the assistance of specialists from Cosun R&D. Engineering modelling is growing in importance in the development of production processes. Computer models are developed to help scale up pilot production runs in the laboratory to larger volumes in a demonstration factory and beyond.

The New Business & Innovation department has strengthened the environment in which innovation flourishes. Various matters were taken up and accelerated in 2016 to nurture creativity and entrepreneurship and improve the flow of knowledge and experience within Cosun.

Project management and the preparation of business cases for innovation are examples of this work. The first Cosun Innovation Day was held in autumn 2016.

COSUN INNOVATION CENTER

We expect these developments to gain momentum in the summer of 2017 when the staff of Cosun R&D, Cosun Biobased Products and Cosun New Business & Innovation move into the new Cosun Innovation Center in Dinteloord. In the first quarter of 2018 the IRS's staff will also transfer from their current offices in Bergen op Zoom to the Cosun Innovation Center. The knowledge and experience of more than a hundred highly qualified professionals will then be concentrated at one site that can also accommodate colleagues from the Cosun business groups and associated organisations.

It is precisely because all the Cosun business groups are working on innovation that the new Innovation Center has been tasked with facilitating and encouraging cooperation and knowledge sharing across Cosun. All Cosun's business groups share the ambition of strengthening their innovative power and shortening project lead times. The building will invite staff to seek each other out and work together, not only with the regular users but also with those who usually work elsewhere. The investment in the building and its equipment is proof of how seriously Cosun takes innovation.

SUIKER UNIE

SUGAR AND SUGAR SPECIALITIES

Suiker Unie's result for 2016 was slightly lower than in the previous year but higher than expected. The business group had expected a fall in its result owing to the lower sugar prices in Europe and on the world market. Conditions improved, however, in the course of the year. With less sugar being produced than forecast, shortages arose and prices on the world market recovered. Surplus sugar also benefited from the upturn.

Selling prices on the European market strengthened in the autumn. Suiker Unie took advantage of the improved conditions when concluding new sales contracts for 2017. Pulp prices were lower in 2016 than in 2015, mainly because of the difficult conditions on the dairy cattle market.



ANTICIPATING THE NEW ERA

The end of the EU common sugar market will shake up the entire European sugar industry.

Suiker Unie has invested in its future by importing raw cane sugar and refining it for sale in areas of the European Union with shortages. It has also significantly increased the capacity of its three sugar factories so that they can process more beet as from the 2017 campaign and replace cane sugar with beet sugar.

The business group has little influence on prices on the sales market but it can exercise some control over its own costs. It has therefore invested heavily in recent years in optimising its production processes and the quality of its products, in reducing its energy use and – together with the growers – in the quality of its raw materials.

Suiker Unie is pursuing operational excellence. The benefits are two-fold: lower costs and lower energy use and associated CO₂ emissions. The factory in Dinteloord, for example, added a seventh evaporation vessel to its production line. The vessel has produced such significant savings that Suiker Unie received the Energy Award from the Ministry of Economic Affairs at the end of 2016.

Suiker Unie is also investing in the production of green gas. The digester at the Vierverlaten site will be substantially expanded in 2017. Four wind turbines have been erected to produce renewable electricity at the Nieuw Prinsenland business park next to the Dinteloord sugar factory.

EXCELLENT CAMPAIGN

The beginning of the 2016 growing season was relatively cold and wet, especially in the southeast of the Netherlands, and about 2,000 hectares of beet were lost. A scheme was introduced to mitigate the impact of frost in November and early December. Growers used the scheme to have 175,000 tonnes of beet processed ahead of schedule. The ultimate yield was 13.3 tonnes of sugar per hectare, with an average sugar content of 17%. The campaign in the Netherlands lasted 109 days and passed off smoothly. The growers in Germany achieved a yield of 13 tonnes of sugar per hectare with an average sugar content of 18.2%. The factory in Anklam (Germany) also had an excellent campaign. In total, the three sugar factories processed nearly seven million tonnes of sugar beet during the 2016 campaign.

Suiker Unie has a reputation to uphold as a sustainable sugar producer. Major international customers attach great value to it. Since sustainable production begins in the fields, all beet grown in the Netherlands will be registered in the Unitip system as from the 2018 campaign. The cooperative is encouraging the members to join the system in 2017. By 2019, Suiker Unie will meet all the qualifying criteria to achieve the Gold Status of the SAI (Sustainable Agriculture Initiative).



AVIKO

POTATO PRODUCTS AND SPECIALITIES

Aviko can look back on a good year, partly because it was able to benefit from the favourable market conditions. By making good use of opportunities for growth, it achieved a higher turnover than initially projected. It was also able to pass on more of the increase in potato prices to customers than expected. Aviko made substantial investments in increasing its capacity, efficiency and quality and in staff safety in 2016. Its sales were so successful during the year that production could barely keep pace. The increased production capacity at the existing factories should be sufficient until 2018.

DEVELOPMENTS

A large volume of French fries and potato specialities were sold on the European market at good prices. Sales through both the food service and the retail channels in western Europe were higher. Sales in the Balkans and the rest of eastern Europe grew even faster. On the whole, all factories performed better, with the exception of the site in Amberger, Germany. An improvement programme has been launched there to raise and sustain quality.

Performance at Aviko Norden was excellent. The product portfolio and the allocation of production will be further optimised in 2017 in order to raise the quality of sales.

The Asian market offers many openings, both for exported French fries and specialities and for local production. The Aviko factory in eastern China, Aviko SnowValley, was quickly running at capacity and produced and sold a large volume of French fries in 2016. The full production capacity will be used in 2017 for sales to Aviko's customers.

Flake producer Aviko Rixona also performed well and turned in a higher result. The sales market for flakes is still growing, as are the export markets outside Europe.

Rixona's production capacity, however, is no longer adequate to meet the rising demand. Production processes and logistics facilities have therefore been improved at both its sites in the Netherlands. The investment programme will end in 2017. The additional capacity is expected to come fully on stream in the third quarter.

The flake factory in Gansu (China) also had a good year. The flakes sell well on the local market.

'FIT FOR GROWTH'

The good results are partly the outcome of a strict cost saving operation. Aviko has been through a radical reorganisation that is expected to prove its worth in the course of 2017. The programme had three goals: to strengthen competitiveness, to improve effectiveness and to lower costs. Aviko sourced its raw materials on keener conditions, optimised its production and cut staff levels in the factories and offices. This has inevitably had an impact on the staff, especially those who had to leave. The company's efforts to help as many people as possible find alternative work succeeded in most cases. A fitting redundancy plan was also agreed.

Investments in the years ahead will concentrate on further process optimisation, safe working conditions in the factories, training and education, energy use and advising suppliers who grow potatoes under contract.



SENSUS

INULIN

Sensus reported a slightly better result in 2016 than in 2015. Sales on the European market were boosted by the move towards sugar reduction. This trend looks set to continue in the years ahead. For Sensus, this is an opportunity as the functional ingredient it makes, inulin, can be used as a sugar replacer. Inulin sales to manufacturers of infant formula and children's food were stable. These products are sold mainly in Asia, where consumers have more confidence in the quality of imported products of western origin. Sensus has noted that customers are increasingly making their products in Europe and then exporting them to China and Southeast Asia.

Sales in the United States were disappointing as competitors and customers revised their formulas. The increased competition also exerted pressure on prices. The US Food and Drug Administration (FDA) announced new legislation on nutritional values and ingredient declarations. Its new definition of fibre is based on the Codex Alimentarius Commission's definition and EU directives. The FDA applies a strict qualification process. Inulin and a number of other common fibre products are not yet on the list of approved fibres. The FDA is expected to take a decision on inulin in the first half of 2017.

GOOD CAMPAIGN

The 2016 chicory campaign was good. The growing season was not without challenging weather conditions but the harvesting season was fine and the raw material was excellent with the chicory having a higher inulin content than in the previous year: approximately 17%. Sensus's two production facilities, in Roosendaal and Zwolle, are working towards the TPM Consistency Award in 2018. This will be another step up the performance ladder towards operational excellence.

With the harvests in the past two campaigns being above average, stocks of end products have increased and are now higher than planned. In order to reduce them in the years ahead, Sensus has contracted fewer hectares for the coming season. In light of the sales forecasts, the area under contract may increase again after 2017.

The goal agreed upon in consultation with the chicory growers of 10 tonnes of inulin per hectare will be adhered to in full.



SVZ

FRUIT AND VEGETABLE PRODUCTS

SVZ's result for 2016 was similar to that for 2015. Performance on the European market was bolstered by a better product/customer mix and higher efficiency. The sales volume, however, was lower than in 2015, chiefly because persistent drought in Poland severely affected the carrot and raspberry crops. Although the European market is fairly saturated, demand for more natural products is still rising. SVZ will therefore focus more sharply on vegetable purees and not-from-concentrate (NFC) products.

SVZ USA had to cope with high stock levels, lower volumes and one-off setbacks and its result was therefore lower than expected. SVZ will strengthen the profitability of its US locations by optimising their processes and offering a wider product range to existing customers.

Price and crop volatility on SVZ's markets remains strong. The business group is responding by managing its positions and spreading its risks as effectively as possible across product categories and geographical sales markets.

SVZ's goal is to stand out as a sustainable player on the market. It is therefore seeking constant improvement. Working with natural products for the food industry, SVZ sets high demands on its raw materials and how they are grown. It is working with its growers to provide advice and training courses.



DUYNIE GROUP

ANIMAL FEED, STARCH AND ENERGY PRODUCTS

Duynie's result for 2016 was lower than that for 2015. The low prices received by dairy and pig farmers placed unrelenting pressure on Duynie's animal feed margins. Prices strengthened slightly in the fourth quarter. On balance, the result was satisfactory.

The increase in beet production in the Netherlands will probably boost the supply of pressed pulp in the years ahead. Beet pulp contains relatively little phosphate and is a popular feed in livestock farming. This is one of the reasons Duynie expects this coproduct to sell well. Duynie introduced feed subscriptions for pressed pulp in 2016. They allow participating farmers to spread their payments and so even out their costs. By the end of the year, 15% of its customers had subscribed to the service. More livestock farmers are expected to join the scheme in 2017.

Novidon performed well. Sales of modified starch were higher. The decisive factor for many customers was its quality. At the beginning of 2017, Novidon is planning to produce its first food-grade starch for use in a variety of food applications. It will thus enter a new market segment and offer existing customers a wider product range.

The pet food sales market is also growing. Demand from international pet food manufacturers is particularly strong in the premium segment. The growing interest in gluten free dog food will benefit sales of ingredients that use potato starch. In the United Kingdom, Novidon introduced a cat litter based on a coproduct resulting from oats processing. EcoGrain Cat Litter is biologically degradable and is sold through more than 400 pet shops and over the internet. The introduction proved very successful and the prospects are favourable.

AgriBioSource (ABS) supplies biomass for energy production. European governments are encouraging the fermentation of biomass to make green energy and ABS is benefiting from the growing demand. Sales in France developed particularly well during the year and are expected to grow further this year.

Duynie will step up its innovation activities in 2017 and expects to start extracting proteins from coproducts.



NEW BUSINESS

APPLICATIONS IN THE BIOBASED ECONOMY

The core activity of New Business and therefore of Cosun Biobased Products is to identify and develop new applications from the biomass that Cosun processes. By contributing to the group's ambitions in this way, the business group makes Cosun's products and processes more sustainable and strengthens the profitability of the operations with a view to the future.

New Business is working on several innovative projects that are at various stages of development. Some are still in an exploratory stage and need feasibility testing. Others are already coming into production. One of the latter is Betafib, a special thickener for use in liquid detergents and coatings.

Betafib is one of Cosun Biobased Products' flagship projects. The market's initial response to this innovative ingredient suggests it has the potential to become a commercial success. Production of Betafib will be scaled up in order to supply higher volumes. The market's interest is still growing and Betafib's performance in products has enjoyed a very positive reception.

Together with potential customers and the Cosun R&D professionals, New Business is researching how Betafib can be applied in its customers' industrial production processes.

Sales of CMI, an inulin derivative for use in detergents and for water treatment that has already been on the market for several years, performed well. The group is working with Sensus on the scientific verification of its functional properties.

The ambition of developing new "green" plastics using biobased components has been slightly downgraded. This is a long, complex and risky route. This innovation project will now concentrate on applications with far shorter lead times.

Pulp2Value, a European collaborative project headed by Cosun Biobased Products, is entering its second year. Cosun issued its first interim report and interim evaluation in February 2017. This project to demonstrate the feasibility of an integrated profitable refinery system for sugar beet pulp will run until 2019.



RISK PROFILE

Cosun is active in a variety of agro-industrial markets in several countries and has to contend with strategic, operational, financial and compliance risks that are inherent in its activities. Its strategy is to control these risks and exploit opportunities wherever possible by maximising the value it extracts from its raw materials, by means of operational excellence, a targeted product/market strategy, new product/market combinations and cooperation with growers, customers and suppliers, among the Cosun businesses themselves and with knowledge centres and educational institutions. We will limit the risks wherever possible but also take advantage of all the opportunities.

RISK ANALYSIS

Cosun recognises the importance of risk management to identify and where possible mitigate risks at an early stage. All business groups periodically identify, analyse and evaluate potential material and immaterial risks with regard to both their likelihood and their impact. This process is periodically repeated, with specific attention being paid to quantifying and evaluating the main risks during the budget cycle. The results of these analyses are used to define actions to mitigate the main risks wherever possible.

The progress made implementing these actions is reported to the Executive Board. As part of a four-year cycle, a comprehensive risk analysis was made in 2016 with the aid of a detailed framework to assess all risks and their impact on the business groups' activities. Our decision to opt for a portfolio with five core activities has had a positive impact on maintaining Cosun's results even in times of low sugar prices.

The analyses have led to improvements in a number of areas:

- The EU common sugar market will end in 2017. We expect pressure on prices to increase as manufacturers increase their output. The European sugar price is expected to be linked more tightly to the world sugar price. Cosun will also step up its sugar production in 2017 and create additional sales by selling to areas with shortages in Europe or exporting to the world market.
- The pressure on sugar's image may also influence sales in our region. However, the world market is growing by about 2% per annum and we expect to achieve higher sales. We will also step up our provision of information, for instance via www.suikerinfo.nl.
- The impact of Brexit is difficult to estimate at present. The United Kingdom is an important sales market as we realise about 10% of our turnover there

RISK APPETITE

With our risk management and internal control systems we seek the right balance between entrepreneurship on the one hand and an acceptable risk profile on the other.

RISK CATEGORY	STRATEGIC PILLAR	RISK APPETITE AND EXPECTED RETURN
Strategic	Profitable growth	<ul style="list-style-type: none"> • Medium/high: right balance between risk and return. • Medium: size of investments in manufacturing footprint relative to projected return and payback.
Tactical/operational	Operational excellence / cost control	<ul style="list-style-type: none"> • Low in respect of safety issues. • Medium in other areas/issues, with coordination of targets and related costs and attention to profitability. • Moderate in respect of position management, with a focus on insight into potential risks.
Financial control & Compliance		<ul style="list-style-type: none"> • Low in respect of financing, interest and currency risks. • Low in respect of product and food safety. • Low in respect of full compliance with local legislation and regulations.

RISK MANAGEMENT STRATEGY

Our internal control system is designed to:

- control the risks attaching to the business activities;
- identify on a timely basis risks that had previously not been recognised as risks or had been considered immaterial;
- prepare action plans for each risk if desirable and possible to control and/or mitigate the risk;
- monitor the effectiveness and efficiency of business processes, including administrative processes.

IMPROVEMENTS IN THE RISK MANAGEMENT SYSTEM

Safety and safe working conditions have high priority within Cosun. The measures we have taken are reflected in a decline in the number of incidents. We will continue to invest in prevention. Aviko's position risk has been reduced by an increase in fixed price hedging of potatoes. Further investments have been made to strengthen a structured and systematic approach to innovative projects. The pension scheme is a defined contribution scheme. However, Cosun has given a guarantee until 2023 to finance the accrual and partial indexation of the scheme, whereby the amount of the contribution is influenced by interest rate movements.

RESPONSIBILITY

Primary responsibility for the internal control system lies with the boards of the business groups themselves. The Executive Board and the Board have final responsibility for Cosun's risk management and internal control systems.

DESIGN

At Cosun we apply the Cosun Principles. They direct our actions and conduct and are periodically brought to the staff's attention. Cosun has also introduced a whistle blower scheme and the Cosun Speak Up line so that staff can report cases that might conflict with the Cosun Principles, anonymously if they prefer. Cosun adheres to accounting principles and has prepared financial and control instructions that include detailed guidelines on financial reporting and accounting. The business groups' financial managers report functionally to Cosun's Chief Financial Officer.

MANAGEMENT

- All business groups draw up three-year operating plans. Detecting and pro-actively responding to risks and opportunities are part of the operational planning procedure and are considered in monthly and quarterly reports. The results are discussed on a monthly basis at Executive Board level and on a quarterly basis at Board and Supervisory Board level.
- Risk management is an integral part of the operating plans and budgets and the internal monthly management and financial reports.

MONITORING

- The external auditor conducts an annual audit in order to express an opinion on the consolidated accounts and the businesses concerned. The external auditor is appointed by the Members' Council and reports primarily to the Supervisory Board. The audit scope and depth are determined annually in consultation with the Executive Board and the Supervisory Board, whereby the minimum work required for the audit opinion is extended to cover specific risks, business processes or locations that the Supervisory Board or the Executive Board believes should receive additional attention.
- The general managers and finance managers of all legal entities in which Cosun has a majority interest sign a Letter of Representation each year for the entities for which they are responsible. In it, they declare that they have acted in accordance with internal guidelines and with the rules arising from legislation and regulations.
- Recommendations arising at every level from the external audit are reported to and followed up by the Executive Board. The Executive Board subsequently reports to the Board and the Supervisory Board.

RISKS

Sugar price movements again had a significant negative impact on Cosun's results in 2016. Driven by the low world market price, European sugar prices were weaker in 2015 and a large part of 2016 than in previous years. In the future, too, the price volatility of our agricultural raw materials (potatoes, fruit and vegetables) and price movements in the sales markets for sugar, potato products and fruit and vegetable products may have a significant impact on Cosun's results in any given year.

The table below shows the main risks to our strategy and the measures we have taken to control them where economically feasible.

RISK CATEGORY: STRATEGIC		
RISK	MITIGATING MEASURES	IMPACT ON RESULTS
<ul style="list-style-type: none"> End of the EU common market organisation for sugar in October 2017, after which EU sugar production will no longer be regulated. Strong price fluctuations/fall in the sugar price. 	<ul style="list-style-type: none"> Growth targets in existing activities and new product/market combinations (biobased products and renewable energy). Cosun is made up of several business groups. Its activities are spread across several raw materials and sales markets. Investment in processing and storage capacity to increase the efficiency, flexibility and cost leadership of the sugar factories. Continuous focus on improving the cultivation of sugar beet. 	High due to volatility of market prices
<ul style="list-style-type: none"> The customers choose alternative products in their product mix (substitution risk). 	<ul style="list-style-type: none"> Offer added value through intensive cooperation with customers and product developers. Broad product portfolio at all business groups. Cost leadership relative to both direct and indirect competitors. 	Average
Failure to achieve sufficient growth. Main growth opportunities: <ul style="list-style-type: none"> Growth of world population and increased prosperity, also in emerging markets. Further development of the biobased economy. Acquisition opportunities. 	<ul style="list-style-type: none"> Spread of sales across different geographical markets and sales specifically targeted at growth markets. Cooperation between Cosun Biobased Products and partners, knowledge centres and strategic alliances to develop new product/market combinations based on agricultural raw materials processed by the Cosun business groups. Corporate development directed at scouting potential acquisition candidates and internal programmes to facilitate the fast integration of acquisitions into existing business groups. 	Average
<ul style="list-style-type: none"> Changes in consumer food behaviour (health, sustainability). Perception of sugar. 	<ul style="list-style-type: none"> Transparent and straightforward information on the nutritional value and sustainability of Cosun products. Further development of innovative, tasty and safe food ingredients with functional added value. Initiatives to enhance food safety in the supply chain in cooperation with customers and suppliers. 	Average
RISK CATEGORY: TACTICAL/OPERATIONAL		
RISK	MITIGATING MEASURES	IMPACT ON RESULTS
<ul style="list-style-type: none"> Staff and product safety. 	<ul style="list-style-type: none"> Focus on a safe workplace and safe working practices through training, physical measures, procedures, targets and reports. Certification, track and trace systems and HACCP procedures. 	Low
<ul style="list-style-type: none"> Volatility of agricultural and other raw material prices and energy prices. 	<ul style="list-style-type: none"> This risk is inherent in Cosun's campaign-related activities. Risks are controlled by means of position management. Continuous focus on cost-efficient production to reduce energy consumption, transport and the use of packaging materials, combined with long-term price and volume agreements. 	High
<ul style="list-style-type: none"> Influence of the weather on availability and quality of raw materials (harvest risks). 	<ul style="list-style-type: none"> Spread of raw material processing across several regions (also within countries) that grow sugar beet, potatoes, chicory roots, fruit and vegetables. Production organisations are prepared to adapt their processes to variations in the quality of their raw materials. Support and advice provided to growers by the group and industry associations for specific growing and weather conditions (e.g. spraying and lifting advice for growers). 	Average
<ul style="list-style-type: none"> Business continuity / disruption in the factory. 	<ul style="list-style-type: none"> Specific risk management programmes, investments, inspections and maintenance to prevent disruption. Insurance: Cosun has several general group insurance programmes to cover product and other liabilities, fire, consequential loss, etc. The consequential loss programme insures assets at appraised value plus an appropriate, tailored cover for consequential losses. The financial strength of the insurers is periodically assessed. Depending on the size of the risk, cover is arranged with several insurers. 	Average

RISK CATEGORY: FINANCIAL MANAGEMENT

RISK	MITIGATING MEASURES	IMPACT ON RESULTS
<ul style="list-style-type: none"> Mismatch between buying and selling positions for raw materials and end products. 	<ul style="list-style-type: none"> Frequent monitoring of buying and selling positions by senior managers of the business groups. 	Low
<ul style="list-style-type: none"> Financing and interest rate risks. 	<ul style="list-style-type: none"> Cosun's financial position is very healthy. At year-end 2016, the group had no net debt. Cosun contracted a five-year syndicated bank facility (RCF) in 2014, with two options to renew the facility for a period of one year. These options have been exercised and the RCF now runs to 2021. Long-term financing consists of a US private placement programme (USPP), currently comprising one loan tranche that must be repaid in 2018. The group has a central treasury organisation that acts as an in-house bank. Subsidiaries, with the exception of joint ventures and liquidity management, are financed at group level. Loans are spread wherever possible over a select group of counterparties with a short-term rating of at least A2 or equivalent. All Cosun businesses report their liquidity forecasts for the coming 12 months every month to reduce the risk of unforeseen liquidity shortages. The quality of the liquidity forecasts was further improved in 2016. 	Low
<ul style="list-style-type: none"> Foreign exchange risk. 	<ul style="list-style-type: none"> The greater part of turnover is earned in the eurozone. The main currency exposure is concentrated on the US dollar, the Polish zloty and the pound sterling. Internal policy is to hedge the foreign exchange risks arising from the operating and financing activities wherever possible. 	Low
<ul style="list-style-type: none"> Risk of underfunding in the defined benefit pension schemes (pension risk). 	<ul style="list-style-type: none"> The policies of the group's pension administrators are known for their strict risk management. They have largely covered themselves against the consequences of lower interest rates, for example, and the investment policy is characterised by widely diversified portfolios spread across a broad range of investment categories. Investment transactions have been contracted out in full to external parties. The funding rate of Cosun's pension funds at year-end 2016 was around 114%. The group is not obliged to make additional contributions if the pension schemes are underfunded. 	Low

RISK CATEGORY: COMPLIANCE

RISK	MITIGATING MEASURES	IMPACT ON RESULTS
<ul style="list-style-type: none"> Legislation and regulations. 	<ul style="list-style-type: none"> Implementation of the Cosun Principles by all members of staff. Whistle blower scheme and external reporting opportunities for cases that do not comply with the Cosun Principles via the Cosun Speak Up line (with active response to reports). Observance of the corporate governance code for cooperatives (NCR code). Annual signing of an internal Letter of Representation by general and finance managers, declaring that they have acted in accordance with internal guidelines and rules arising from legislation and regulations. 	Low
<ul style="list-style-type: none"> Tax risks. 	<ul style="list-style-type: none"> Cosun is active in many countries. The group seeks a transparent relationship with the tax authorities. Cosun has signed a horizontal supervision agreement with the Dutch tax authorities. Activities are structured so that corporation tax is coordinated centrally. Responsibility for VAT, salaries tax, social insurance, etc. lies with the individual entities. The policy and related management processes are periodically assessed. 	Low

CORPORATE GOVERNANCE

To Cosun, corporate governance relates to how it regulates the relationships between the members of the cooperative, the Board, the Supervisory Board, the Executive Board and the staff.

Good employment practices, integrity, respect, oversight, transparent reporting and accountability are the main elements of Cosun's corporate governance policy. Cosun endorses and observes, with only a few exceptions, the NCR code of conduct for cooperatives.

GOVERNANCE MODEL

Cosun has a traditional governance model. Control of the cooperative lies with the members, in part through their election of the Board. Most members of the Board are also members of the cooperative; three members are not. Members of the cooperative also form a majority on the Supervisory Board so that the members have the deciding vote. The external members of the Board and the Supervisory Board are nominated and appointed in recognition of their expertise and external networks. The Board has delegated day-to-day management to the Chief Executive Officer of the Executive Board.

BOARD

The Board's primary task is to run the cooperative. It has final responsibility for the development and implementation of the policy of both the cooperative and the business groups that make up Cosun. The Board consists of nine members, three external members and six members who are also members of the cooperative.

SUPERVISORY BOARD

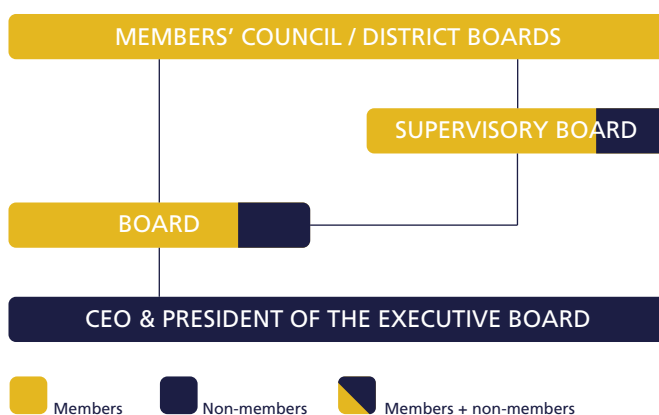
The Supervisory Board supervises the conduct of the Board's policy and the general performance of the cooperative. As an independent body, it advises the Board and the Members' Council on request and otherwise. The Supervisory Board examines and approves the cooperative's annual accounts. There are six members: four are members of the cooperative and two are external.

MEMBERS' COUNCIL

The members of Cosun elect the executive committees of the districts/sections in which their farms are located (see also page 11 of this report). All Cosun's district committees together form the Members' Council. On a proposal of the Board, the Members' Council elects the members of the Board. On a proposal of the Supervisory Board, the Members' Council elects the members of the Supervisory Board. On a proposal of the Board it also adopts the annual report and accounts, the Articles of Association and the regulations.

It also acts as a sparring partner for the Board. The Members' Council has 60 members, all of whom are members of the cooperative.

GOVERNANCE STRUCTURE OF THE COOPERATIVE



YOUTH COUNCIL

The Youth Council consists of 15 members and is the nursery for managerial talent within the cooperative. The members of the Youth Council represent candidate members and young members. In consultation with local district and section managers, the Youth Council itself is responsible for succession when necessary.

More information on corporate governance can be found on the website www.cosun.com under the heading About Cosun – Corporate Governance. The corporate governance code has been posted on www.cooperatie.nl under NCR Code (in Dutch).

On behalf of the Board,

D.H. de Lugt
Chairman

J.M. Klompe
Vice-Chairman

Breda, 16 March 2017

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board performs supervision on the execution of Cosun's policy. As an independent body, it advises the Board and the Members' Council on request and otherwise.

The Supervisory Board met on seven occasions during the year, four in the presence of the Board, in accordance with a set schedule. It discussed many matters. An important subject in 2016 was governance of the cooperative. The Supervisory Board consulted external advisers on this subject and discussed it with both the Board and the Members' Council. The Supervisory Board also devoted a great deal of time and attention to the development of the non-sugar activities. It followed and discussed the entire financial cycle, from the operating plans via the quarterly reports to the December forecasts, the annual accounts and the annual report.

An important theme in the cooperative was the replacement of the beet delivery/business termination regulations with new future-proof agreements and the associated amendment of the Articles of Association and regulations. The operating plans for 2017-2019 were submitted to the Supervisory Board for assessment. The Supervisory Board agrees with the strategy of profitable organic growth. Suiker Unie is in the final phase of a substantial investment programme. Aviko is completing its restructuring and has started to expand and make better use of its production capacity. The goal of the other non-sugar activities is to become and remain leaders on cost control, with a focus on the added value of their product portfolios to ensure they achieve the required financial results. The Supervisory Board carefully studied and weighed the plans before granting its approval.

An advisory board was set up in 2016. It is made up of external professionals who will assess innovation within Cosun. The Supervisory Board thinks this is a very good initiative to manage our nursery for new ideas efficiently. Major investments and acquisitions will also be assessed after a certain period of time as to their results in comparison with the expectations. Such evaluations are valuable for all concerned in order to learn from past experiences and to perform at least as well in the future if not better.

Another important issue is reporting suspected cases of inappropriate conduct. The Supervisory Board is aware that Cosun takes such reports seriously and facilitates them at all business groups and locations. By doing so, it ensures the reporting threshold is low and anonymous if required.

FINANCIAL PERFORMANCE

Cosun showed the value of diversification in 2016. The expected dip in sugar results was offset to some extent at the end of the year by rising world market prices. The other business groups, especially Aviko, made a demonstrable contribution to the cooperative's objective during the year: a stable beet price.

The Supervisory Board discussed and approved the introduction of a new style of audit report during the year, with the auditor providing more background information on the main audit findings and the way in which the auditor carries out its work. This is in keeping with the trend in society towards greater transparency and the provision of more relevant information to stakeholders.

The auditor has examined the annual accounts for 2016. The audit opinion and the auditor's statement were explained by the auditor and discussed. The audit was completed smoothly thanks to the high quality of internal reporting. Analyses of the digital data produced valuable information for both financial and management purposes. Questions were answered satisfactorily and the findings gave the Supervisory Board a keen understanding of Cosun's financial condition. The follow-up to the management letter was also discussed, and explanations were provided if the recommendations had not yet been acted upon. The Supervisory Board submits the annual report for 2016 and recommends that the Members' Council approves it.

COMPOSITION AND PERFORMANCE

Wim Blijdorp and Johan van Driel were re-elected to the Supervisory Board during the Annual General Meeting. The vacancy created by Biense Visser's retirement in 2016 was filled by Hans Huistra on 8 February 2017. The Supervisory Board reviewed its own performance by means of individual appraisal interviews with all its members. A constructive critical attitude helps safeguard the quality of decision-making and working relationships on the Supervisory Board.

To retain a feeling for the activities carried on by Cosun, several working visits are made to the businesses every year. In 2016 we visited the Aviko facility in Amberger (Germany) together with the Board. These site visits are particularly valuable for the Supervisory Board to gain a proper understanding of the business, the management and what is happening. The annual excursion last year was to the growing region of the southwest Netherlands. The Supervisory Board also visited Nedato, another cooperative in the arable farming sector.

A WORD OF THANKS

The Supervisory Board would like to compliment the Board, the Executive Board and all members of staff for the financial results for the year and thank everyone who contributed to them. The past year was a taster of the fluctuations that may occur after the end of the common sugar market. 2016 also showed what the Cosun business groups can mean for Dutch beet growers. The Supervisory Board is looking to the future with confidence.

On behalf of the Supervisory Board,

J. Bartelds
Chairman

W.A. Blijdorp
Secretary

Breda, 16 March 2017



MEMBERS OF THE BOARD, SUPERVISORY BOARD, EXECUTIVE BOARD AND WORKS COUNCIL

as at 31 December 2016

BOARD	Chairman	D.H. de Lugt	De Cocksdorp
	Vice-Chairman	J.M. Klompe	Wolphaartsdijk
	Deputy Vice-Chairman	B.R. van Doesburgh	Loenen a/d Vecht
	Members	A.W. Bos	Zwanenburg
		A.J.B.P. Bossers	Langeweg
		Ms. G. Prins	Nieuwkoop
		J.A. Smid	Dalerpeel
		J.H.D. Voncken	Eys
		S. Wijkstra	Zeist
	Secretary	J.W.M.J. van Roessel	
SUPERVISORY BOARD	Chairman	J. Bartelds	Tweede Exloërmond
	Vice-Chairman	J.L. van Driel	Nieuw-Beijerland
	Secretary	W.A. Blijdorp	Middenmeer
	Members	H. Huistra	Amsterdam (per 08-02-2017)
		E.H.W.J.E. Michiels	Horst
		Ms. J.P. Rijdsdijk	Leiderdorp
EXECUTIVE BOARD	President	R.P. Smith	CEO
	Members	I.H. Blankers	director Sensus
		G.C.A.M. Corsmit	director Duynie Group
		Ms. A.E. ter Laak	director SVZ
		A.J. Markusse	director Suiker Unie
		P.H. Merckens	director Aviko
		G.H. de Raaff	director New Business
		H.J. Schuil	director Finance & Control
	Secretary	Ms. M.J.C.W. van den Maagdenberg	director Corporate Development
CENTRAL WORKS COUNCIL	Chairman	J.A.A. Stoop	CFTC
	Secretary	C.W. van Agtmaal	SVZ
	Members	H. Arfman	Aviko
		A.C.J. van der Borst	Suiker Unie
		H.A.M. Flipsen	Suiker Unie
		S.C.A.M. Geerts	Cosun
		A. Kayabasi	Aviko
		C. Kooiman	Duynie
		H. Maan	Sensus
		G.G.M. Wilmer	Aviko
		C. Wijma	Suiker Unie

More information is available at www.cosun.com under About Cosun – Corporate Governance. The website provides relevant personal particulars on the members, the principal and secondary positions they hold and – where applicable – the date of their appointment, term of office, their eligibility for re-election, etc.



ANNUAL ACCOUNTS 2016

CONSOLIDATED BALANCE SHEET

(after profit appropriation; in EUR million)

	Notes	31-12-2016	31-12-2015
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	109.6	123.9
Tangible fixed assets	(2)	630.1	604.3
Financial fixed assets	(3)	22.2	24.9
		761.9	753.1
Current assets			
Inventories	(4)	608.3	633.8
Trade and other receivables	(5)	305.2	290.9
Cash and cash equivalents	(6)	114.6	95.1
		1,028.1	1,019.8
Total assets		1,790.0	1,772.9
EQUITY AND LIABILITIES			
Group equity			
Capital and reserves	(7)	1,155.6	1,140.6
Minority interests	(8)	22.5	24.3
		1,178.1	1,164.9
Provisions	(9)	62.4	77.0
Non-current liabilities	(10)	67.8	68.1
Current liabilities	(11)		
Current liabilities to credit institutions and liabilities of a financing nature		11.3	12.8
Other current liabilities, accruals and deferrals		470.4	450.1
		481.7	462.9
Total equity and liabilities		1,790.0	1,772.9

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2016	2015
Net turnover	(14)	1,987.5	1,947.7
Changes in inventories of finished products		-/- 30.2	21.4
Other operating income	(15)	17.6	17.6
Total operating income		1,974.9	1,986.7
EU levies	(16)	11.0	11.0
Cost of raw materials and consumables	(17)	1,202.6	1,211.1
Cost of outsourced work and other external costs	(18)	336.1	350.6
Staff costs	(19)	243.0	255.0
Amortisation and depreciation on intangible and tangible fixed assets		100.2	97.6
Other changes in the value of intangible and tangible fixed assets	(20)	1.6	-
Other operating expenses		3.5	2.2
Total operating expenses		1,898.0	1,927.5
Operating profit		76.9	59.2
Interest receivable and similar income		2.5	2.0
Interest payable and similar charges		-/- 5.9	-/- 8.1
Financial income and expense	(21)	-/- 3.4	-/- 6.1
Result from ordinary activities before taxation		73.5	53.1
Taxation	(22)	-/- 17.8	-/- 7.8
Share in results from participating interests		0.2	0.0
Result from ordinary activities after taxation		55.9	45.3
Minority interests		-/- 0.3	0.2
Net result		55.6	45.5

CONSOLIDATED CASH FLOW STATEMENT

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2016	2015
Operating profit		76.9	59.2
Depreciation and amortisation		100.2	97.6
Other value adjustments		1.6	-
Changes in provisions	(24)	-/- 9.6	0.2
Changes in working capital (excluding cash and cash equivalents and short-term bank overdrafts)	(24)	40.2	-/- 91.7
Cash flow from business operations		209.3	65.3
Interest received (paid)		-/- 4.1	-/- 6.6
Income tax paid		-/- 14.6	-/- 4.2
Other movements		-/- 0.4	-/- 0.8
		-/- 19.1	-/- 11.6
Cash flow from operating activities		190.2	53.7
Investments in (in)tangible fixed assets		-/- 120.8	-/- 108.6
Proceeds from the sale of tangible fixed assets		2.2	3.8
Acquisitions of participating interests		-	-/- 2.0
Cash flow from investing activities		-/- 118.6	-/- 106.8
Gross distribution under sugar beet payment/business termination regulations	(30)	-/- 51.5	-/- 179.0
Changes in long-term receivables		-/- 1.3	-/- 5.8
Changes in non-current liabilities	(24)	2.3	9.4
Changes in current liabilities to credit institutions and liabilities of a financing nature		-/- 1.5	-/- 48.2
Cash flow from financing activities		-/- 52.0	-/- 223.6
Changes in cash and cash equivalents		19.6	-/- 276.7
Cash and cash equivalents at the beginning of the year		95.1	370.5
Exchange and translation gains and losses on cash and cash equivalents		-/- 0.1	0.3
Cash and cash equivalents at participating interests acquired		-	1.0
Cash and cash equivalents at the end of the year		114.6	95.1

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

(in EUR million)

TRANSLATED FINANCIAL STATEMENTS

These Annual Accounts is an English translation of the original Dutch publication. In the event of textual inconsistencies between the English and the Dutch versions, the latter shall prevail.

GENERAL

Coöperatie Koninklijke Cosun U.A. (hereinafter: 'Cosun'), with its registered office in Breda, the Netherlands, processes and prepares raw materials, mostly from agricultural sources, producing semi-manufactures for the international food and beverage industry and the food service industry (restaurants, caterers and wholesalers), and finished products that are sold to customers through retail outlets. The group also processes organic residuals into products such as bio-ethanol and animal feed.

The activities are classified as follows:

- Sugar activities: sugar and bio-energy from residual currents (Suiker Unie).
- Potato activities: potato products, such as chilled, frozen and dried potato products and potato specialities (Aviko and Rixona).
- Other activities: fruit and vegetable products (SVZ), inulin (Sensus), animal feed and starch (Duynie Group) and innovation (Cosun Biobased Products).

APPLICABLE STANDARDS

The annual accounts have been prepared in accordance with the legal requirements as set out in Title 9, Book 2 of the Netherlands Civil Code. For the cooperative profit and loss account, Cosun has availed itself of the exemption available under Section 402, Book 2 of the Netherlands Civil Code.

CONSOLIDATION PRINCIPLES

The consolidated annual accounts include the financial data of Cosun and its group companies and other companies controlled by the company. Group companies acquired during the year under review are included as from the date at which direct or indirect influence can be exercised on the business and financial policy. The results of group companies sold are incorporated up to the moment the overriding control ended. Intercompany payables, receivables and transactions, as well as profits already recognised on these within Cosun but not yet realised, are eliminated in the consolidated annual accounts. The group companies are consolidated in full with the third-party minority interest being presented separately. Joint ventures are consolidated proportionally.

LIST OF PARTICIPATING INTERESTS

In accordance with Articles 379 and 414, Book 2 of the Netherlands Civil Code, a list of data on group companies and other participating interests has been filed with the Chamber of Commerce.

ACQUISITIONS AND DISPOSALS

No acquisitions were made in 2016.

The following acquisitions were made in 2015:

Duynie acquired the remaining 10% shares in Beuker S.R.O., Slovakia, on 29 October. Cosun increased its interest in Eemshaven Sugar Terminal C.V. by 32.7% as from 9 December, giving it power of control over policy.

No disposals took place in 2015 or 2016.

ACCOUNTING POLICIES

GENERAL

The accounting policies adopted for the valuation of assets and liabilities and determination of the result are based on the historical cost convention. Insofar as not stated otherwise, assets and liabilities are shown at nominal value. An asset is included in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured. A liability is included in the balance sheet if it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

The income and expenses are accounted for in the period to which they relate.

POLICIES FOR THE TRANSLATION OF FOREIGN CURRENCIES

The reporting currency and the functional currency of the annual accounts of Cosun is the euro (EUR). The costs and income arising from transactions in foreign currencies or monetary receivables and payables, are translated at the functional exchange rate on transaction date or the rate prevailing at balance sheet date respectively. Translation gains and losses are taken to the profit and loss account. The net investment in foreign participating interests is translated at the exchange rate prevailing at balance sheet date. Foreign currency profit and loss account items of foreign participating interests are translated at the average exchange rate. Translation gains and losses are taken directly to the statutory reserve for exchange rate differences as part of Cosun's group equity, less tax effects if applicable. If a foreign operation is fully or partially sold, the respective amount is transferred from the reserve for translation differences to the other reserves. Translation gains and losses on long-term financing and financial instruments used to hedge exchange rate risks arising from foreign participating interests are treated accordingly.

NETTING

Assets and liabilities are shown net of each other in the annual accounts only if and in so far as:

- there is a reliable legal instrument to net and simultaneously settle the assets and the liability, and
- there is a firm intention to settle the net amount or the two items simultaneously.

FINANCIAL INSTRUMENTS

The financial statements includes the following primary financial instruments: loans granted, trade and other receivables, cash and cash equivalents, loans received, other financing commitments, trade payables and other payables. The financial statements also includes derivative financial instruments (derivatives).

PRIMARY FINANCIAL INSTRUMENTS

Primary financial instruments are initially recognized at fair value which includes the attributable transaction costs. After initial recognition, primary financial instruments are carried at amortised costs using the effective interest method, less impairment losses. The effective interest method is used to recognize transaction costs in the profit and loss account. Loans granted and other receivables are restated if there is objective evidence of an impairment. The fair value of cash and cash equivalents is equal to the nominal value; cash and cash equivalents are freely available to Cosun unless stated otherwise.

DERIVATIVE FINANCIAL INSTRUMENTS (DERIVATIVES)

Currency derivatives, interest derivatives and forward commodity transactions

Cosun uses derivatives to hedge the exchange rate, interest rate and price risk from balances and highly probable future sales and purchases. Forward exchange contracts, interest rate swaps, forward commodity contracts and other derivative financial instruments are used to hedge these risks. Derivatives are initially recognized at fair value. After initial recognition derivatives are stated at cost or lower fair market value unless cost price hedge accounting is applied. At initial recognition the cost price is equal to the fair value. Cosun applies cost price hedge accounting in order to simultaneously recognise both the results from changes in the value of the derivatives and the future transaction in the profit and loss account.

If cost price hedge accounting is applicable the accounting policies are defined below:

- As long as the hedged financial asset or liability is not recorded in the balance, the derivative will not be recorded.
- As soon as the hedged position of the expected transaction leads to the recognition of a primary financial instrument, the gains or losses associated with the derivative are recognised in the profit-and-loss account in the same period in which the primary financial instrument affects profit or loss.
- Cosun periodically assesses the effectiveness of its hedging relationships. The results from the non-effective part of the hedge relationship are included in the profit-and-loss account.
- Should the transaction no longer be expected to take place, so the derivative no longer meets the conditions for cost price hedge accounting, or is sold, the accumulated profit or the accumulated loss is recognised in the profit-and-loss account.
- Translation gains and losses on primary financial instruments are compensated by changes in value of currency derivatives. The book value of a currency derivative is carried by the difference between the applicable exchange rate as at balance sheet date and the hedged exchange rate.
- The value of a currency derivative is amortized over the duration of the currency swap.

INTANGIBLE FIXED ASSETS

Goodwill is the excess of the purchase price and the fair value of the identifiable assets and liabilities of the acquired participating interest at the date of acquisition. Goodwill paid upon the acquisition of foreign group companies and subsidiaries is translated at the exchange rate applicable at the moment of acquisition. The capitalised goodwill is amortised according to the straight-line method over the estimated useful life, in general between 5 and 20 years.

Other tangible fixed assets (excluding CO₂ emission allowances) are carried at cost net of accumulated depreciation and other downward value adjustments. Other intangible assets are depreciated on a straight-line basis over their estimated useful lives, generally between three and five years.

Cosun obtained CO₂ emission allowances at zero cost. The company has not recognized its surplus CO₂ emission allowances obtained for nothing. Cosun acquires emission allowances to meet future deficiencies. The acquired emission allowances are stated at cost and will be charged to the result at time of use.

TANGIBLE FIXED ASSETS

Land and buildings, machinery and equipment and other tangible fixed assets are stated at cost of purchase or manufacture, less accumulated depreciation and other downward value adjustments. Grants and subsidies are deducted from the cost of purchase or manufacture of the asset in question.

Depreciation is calculated as a percentage of the cost of acquisition or manufacture according to the straight-line method on the basis of useful life. Land, tangible fixed assets in production and prepayments are not depreciated. Maintenance expenditure is only capitalised if it extends the useful life of the asset.

FINANCIAL FIXED ASSETS

Non-consolidated participating interests over whose financial and operating policies the group exercises significant influence are valued using the net asset value method. Under the net asset value method, participating interests are carried at the group's share in their net asset value plus its share in the results of the participating interests and its share of changes recognized directly in the equity of the participating interests as from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements, less its share in the dividend distributions from the participating interests. The group's share in the results of the participating interests is recognized in the profit and loss account.

If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve.

If the value of the participating interest under the net asset value method has become nil, this method is no longer applied, with the participating interest being valued at nil if the circumstances are unchanged. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the participating interest are included. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

A subsequently acquired share of the profit of the participating interest is recognized only if and to the extent that the accumulated share of the previously unrecognized loss has been made good.

Following application of the net asset value method, the group determines whether an impairment loss has to be recognized in respect of the participating interest. At each reporting date, the group assesses whether there are objective indications of impairment of the participating interest. If any such indication exists, the group determines the impairment loss as the difference between the recoverable amount of the participating interest and its carrying amount, taking it to the profit and loss account.

Other long-term receivables are carried at amortised cost, less a provision deemed necessary for uncollectibility.

IMPAIRMENT OR VALUE ADJUSTMENT OF FIXED ASSETS

Cosun recognises intangible, tangible and financial fixed assets in accordance with accounting policies generally accepted for financial reporting in the Netherlands. Pursuant to these policies, assets with a long life should be subject to an impairment test in the case of changes or circumstances arising that lead to the suspicion that the book value of the asset will not be recovered. The recoverability of assets in use is determined by comparing the book value of an asset with the future net cash flow that the asset is expected to generate. In the case of a higher book value, the difference is charged to the result. Assets for sale are stated at book value or lower market value, less selling costs.

INVENTORIES

Raw materials and consumables are carried at the lower of cost in accordance with the FIFO ('first in, first out') method. Finished products are valued on the basis of cost of manufacture, including the purchase costs of used raw materials and consumables and the other costs directly attributable to manufacture. In addition, part of the indirect costs over the period of manufacture is attributed to the cost of manufacture. Members' bonus is not included in the valuation of inventory. Goods for resale are valued at cost. Cost includes the purchase price plus additional related costs. Land designated as project development land is valued at the historical cost of acquiring the land and other costs, which are directly attributable to the development.

When valuing inventories, account is taken of any value adjustment occurring on the balance sheet date including, if applicable, lower net realisable value.

RECEIVABLES

Short-term receivables that do not explicitly bear interest are initially measured at fair value and subsequently carried at amortised cost, less a provision for doubtful debts were necessary. Provisions are determined on the basis of individual assessment of the collectibility of receivables.

FAIR VALUE

Fair value represents the amount for which an asset is traded or an obligation settled between properly informed independent parties prepared to enter into a transaction.

AMORTISED COST

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition less repayments of the principal, plus or less the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction (effected directly or through a provision being formed) for impairment and doubtful debt.

EQUITY

Pursuant to Guideline 620 of the Dutch Accounting Standards Board, the part (2%) of the paid-up capital that is payable on demand by the members is recognised as a liability in the consolidated annual accounts. As a result the consolidated equity differs from the equity in the cooperative annual accounts.

In so far as members are eligible to payment under the Sugar Beet Delivery Payment Regulations or the Cessation of Business Regulations, the payment is charged to equity the moment it is paid.

A standard payment regulation applies when a member obtains shares. The present value of the amount payable is recognised under receivables.

MINORITY INTERESTS

The third-party minority interests are valued at the third parties' share of the net asset value.

PROVISIONS

A provision is recorded when:

- There is a present legal or constructive obligation as a result of a past event.
- A reliable estimate can be made.
- It is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are valued at the discounted expected future cash flows.

PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS**Dutch pension plans**

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date. For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the company has the power to withdraw this surplus, if it is likely that the surplus will flow to the company and if the receivable can be reliably determined.

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members) are recognised and measured in accordance with Dutch pension plans (see previous section). For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Other deferred employee benefits

For other deferred employee benefits (such as jubilee) provisions are recorded. This provision is recorded at present value. The calculation of the present value is based on commitments, expected average remaining working period and age of the employees.

NEGATIVE GOODWILL

Given its long-term nature, negative goodwill is presented as a non-current liability. The negative goodwill is recognised in the profit and loss account in proportion to the weighted average of the remaining useful life of the acquired depreciable assets.

LONG-TERM LEASE OBLIGATIONS

Agreements are assessed as to whether they contain a lease on the basis of economic reality on the contract date.

In case of financial lease (where the costs and benefits of the asset leased are borne entirely or almost entirely by the lessee) the leased asset and the associated debt on the date on which the agreement is entered into are recognised in the balance sheet at the lower of the asset's fair value at the date on which the agreement was entered into and the present value of the minimum lease payments. The initial direct costs borne by the lessee are included in the initial recognition of the asset. Lease payments are broken down into interest expense and repayment and the outstanding obligation, using a constant rate of interest over the remaining net obligation.

The capitalised asset leased is depreciated over the shortest period of the lease term or the useful life of the asset if there is no reasonable certainty that the lessee will become the owner at the end of the lease term.

In case of operational lease, lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

DETERMINATION OF THE RESULT

Net turnover concerns the income from goods and services delivered to third parties, less discounts awarded and turnover tax. Turnover is only recorded if there is reasonable assurance that future benefit will be accrued by the business and that such benefit can be estimated reliably. Income is recorded when the significant risk and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably and there is no continuing involvement of the legal entity with the goods.

Members receive a members' bonus for the beet they deliver. The members' bonus is recognised as cost of raw materials and consumables.

The share in the result of participating interests represents Cosun's share in the result of these participating interests (if the participating interest is valued at net asset value) or the dividend received or other value adjustment (if the participating interest is valued at cost).

TAXES

Taxation on the result comprises both taxes payable and deductible in the short term and deferred taxes, taking account of tax facilities and non-deductible costs. No taxes are deducted from profits if and insofar as these can be offset against losses from previous years and a deferred tax asset had not been recognized. Taxes are deducted from losses if these can be offset against profits in previous years. In addition, taxes will be deducted if and insofar as it may be reasonably expected that losses can be offset against future profits.

Deferred tax assets, including off-settable tax losses, are stated in so far as it is deemed probable that they will be realised in future and are calculated on the basis of the tax rate applicable at the time at which they are expected to be realised.

In so far as valuations for tax purposes differ from the policies described in this section, a provision is formed for any resultant deferred tax liabilities, calculated at the tax rate applicable at the time are expected to be paid.

THE USE OF ESTIMATES

During the preparation of the annual accounts, the management must, in accordance with the general prevailing policies, make certain estimates and assumptions that co-determine the stated amounts. The actual results may deviate from these estimates.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash flows denominated in foreign currencies have been translated into euros at average exchange rates. The cost of group companies acquired and the selling price of group companies disposed of are included in cash flow from investing activities.

(1) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2016	244.2	28.7	272.9
Accumulated amortisation and other value adjustments as at 1 January 2016	126.8	22.2	149.0
BOOK VALUE AS AT 1 JANUARY 2016	117.4	6.5	123.9
Movements:			
- Investments	-	0.2	0.2
- Disposals	-	-/- 0.3	-/- 0.3
- Transfer	-	0.4	0.4
- Amortisation	-/- 12.4	-/- 1.6	-/- 14.0
- Other changes in value	-/- 0.6	-	-/- 0.6
BOOK VALUE AS AT 31 DECEMBER 2016	104.4	5.2	109.6
At cost as at 31 December 2016	244.2	28.7	272.9
Accumulated amortisation and other value adjustments as at 31 December 2016	139.8	23.5	163.3

GOODWILL

The goodwill related to acquisitions, is amortized over 5 to 20 years. A period of 20 years applies to investments that have a strategic character and an expected economic useful life of at least 20 years.

OTHER INTANGIBLE FIXED ASSETS

The other items under intangible assets, including software and licensing expenses, are amortised over a period of three to five years.

(2) TANGIBLE FIXED ASSETS

Movements in tangible fixed assets were as follows:

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2016	398.8	1,085.9	75.1	26.6	8.3	1,594.7
Accumulated depreciation and other changes in value as at 1 January 2016	209.9	726.9	53.6	-	-	990.4
BOOK VALUE AS AT 1 JANUARY 2016	188.9	359.0	21.5	26.6	8.3	604.3
Movements:						
- Investments	10.5	75.6	6.6	26.5	1.4	120.6
- Disposals	-/- 0.6	-/- 1.0	-/- 0.2	-/- 0.1	-	-/- 1.9
- Transfer	0.1	20.7	-/- 1.4	-/- 18.7	-/- 1.2	-/- 0.5
- Depreciation	-/- 12.6	-/- 70.2	-/- 5.7	-/- 0.3	-	-/- 88.8
- Other changes in value	-/- 0.5	-/- 0.4	-/- 0.1	-	-	-/- 1.0
- Exchange differences	-/- 0.9	-/- 1.0	-/- 0.7	-	-	-/- 2.6
BOOK VALUE AS AT 31 DECEMBER 2016	184.9	382.7	20.0	34.0	8.5	630.1
At cost as at 31 December 2016	404.8	1,167.2	75.6	34.0	8.5	1,690.1
Accumulated depreciation and other changes in value as at 31 December 2016	219.9	784.5	55.6	-	-	1,060.0

The expected useful life and associated depreciation period is 10 to 40 years for the buildings, 10 to 20 years for the machinery and equipment and four years on average for the other tangible fixed assets. The insured value of the buildings, machinery, equipment and inventories is EUR 3.3 billion (2015: EUR 3.3 billion).

The group is the beneficial, not legal, owner of buildings with a book value of EUR 13.9 million (2015: EUR 14.1 million) and machinery and equipment with a book value of EUR 1.9 million (2015: EUR 2.1 million) under financial lease contracts.

(3) FINANCIAL FIXED ASSETS

Movements in financial fixed assets were as follows:

	PARTICIPATING INTERESTS	RECEIVABLES FROM PARTICIPATING INTERESTS	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2016	3.8	0.8	10.2	8.9	1.2	24.9
Movements:						
- Additions and issuances	-	-	1.5	0.3	-	1.8
- Repayments and releases	-	-	-/- 0.5	-/- 1.8	-	-/- 2.3
- Movements in favour of/charged to the result	-	-	0.5	-/- 1.5	-/- 0.2	-/- 1.2
- Share in results of participating interests and dividend received	-/- 0.1	-	-	-	-	-/- 0.1
- Reclassified as short-term receivables	-	-	-/- 0.9	-	-	-/- 0.9
BALANCE AS AT 31 DECEMBER 2016	3.7	0.8	10.8	5.9	1.0	22.2

PARTICIPATING INTERESTS

The participating interests relate, among other, to the non-consolidated interest in Aviko Kloosterboer Verpakkingen B.V. and in the Spanish potato specialties company Eurofrits, S.A. As significant influence can be exercised on these interests, they are stated based on net asset value. The minority interest in Eemshaven Sugar Terminal C.V. was increased to a majority interest in 2015.

RECEIVABLES FROM MEMBERS

The net present value of the non-interest-bearing receivables from members (EUR 10.8 million) relate to the long-term portion of amounts still to be deposited for issued shares (2015: EUR 10.2 million).

DEFERRED TAX ASSETS

The deferred tax assets item relates to the recognised available tax losses and temporary differences in the fiscal and commercial valuations. It is expected that EUR 2.2 million (2015: EUR 1.9 million) of this receivable will be recovered within one year.

The tax loss carry-forwards, insofar as they are not included in the balance sheet under deferred tax assets, amounts to EUR 12.1 million gross (2015: EUR 6.2 million).

OTHER RECEIVABLES

Other receivables consist of capitalised costs incurred for the conclusion of a new financing agreement expiring in June 2021.

(4) INVENTORIES

	31-12-2016	31-12-2015
Land	8.4	10.4
Raw materials and consumables	68.6	69.0
Finished products and goods for resale	531.3	554.4
	608.3	633.8

Of the inventories EUR 0.6 million (2015: EUR 1.6 million) is stated at lower recoverable amount. The provision for obsolete inventories amounts to EUR 6.5 million (2015: EUR 6.6 million). The land included in inventory relates to grounds being developed for business park AFC Nieuw Prinsenland near Dinteloord.

Inventories with a carrying amount of EUR 3.8 million (2015: EUR 3.7 million) have been pledged as security to the bank.

(5) TRADE AND OTHER RECEIVABLES

	31-12-2016	31-12-2015
Trade accounts receivable	235.8	239.0
Receivables from members	1.0	0.9
Income tax receivable	2.6	1.4
Other tax receivables	38.7	21.1
Other receivables, prepayments and accrued income	27.1	28.5
	305.2	290.9

OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

This item relates to amounts receivable of EUR 21.7 million (2015: EUR 24.0 million) and advance payments of EUR 5.4 million (2015: EUR 4.5 million).

In 2015 the prepayments and accrued income included an interest rate swap to hedge the interest rate risk of a loan with a term of less than one year. As at 31 December 2015, the fair value of the interest rate swap was EUR 0.1 million negative.

(6) CASH AND CASH EQUIVALENTS

An amount of EUR 0.7 million (2015: EUR 0.4 million) is not available on demand.

(7) CAPITAL AND RESERVES

For a breakdown of capital and reserves, please refer to the notes to the cooperative annual accounts.

The consolidated statement of total recognised gains and losses is as follows:

	2016	2015
Net result	55.6	45.5
Translation differences on foreign participating interests	-/- 1.9	4.3
Total result recognised by Cosun	53.7	49.8

(8) MINORITY INTERESTS

	2016	2015
Balance as at 1 January	24.3	26.3
Movements:		
- Share in results	0.3	-/- 0.2
- Capital movements and change in consolidation	-/- 0.3	1.1
- Dividend paid to minority interests and liquidation distributions	-/- 1.7	-/- 3.4
- Exchange differences and other movements	-/- 0.1	0.5
BALANCE AS AT 31 DECEMBER	22.5	24.3

The minority interests consist largely of third-party shares in the Slovenian sugar factory Tovarna Sladkorja Ormoz d.d. in liquidation, the potato-processing factory Gansu Aviko Potato Processing Co. Ltd, Rain Biomasse Wärme GmbH, the trading company Limako B.V., Agri Bio Source Europe B.V., Martin Amberger Kartoffelverarbeitung Dolli-Werk GmbH & Co. KG and Eemshaven Sugar Terminal CV.

(9) PROVISIONS

	31-12-2016	31-12-2015
Deferred tax liabilities	28.9	33.9
Restructuring and reorganization	1.8	4.2
Pensions and other deferred employee benefits	16.3	21.9
Other provisions	15.4	17.0
	62.4	77.0

Of the provisions an amount of EUR 47.9 million (2015: EUR 49.5 million) has an expected term of more than one year.

Movements in provisions were as follows:

	DEFERRED TAX LIABILITIES	RESTRUCTURING AND REORGANISATION	PENSION AND OTHER DEFERRED EMPLOYEE BENEFITS	OTHER PROVISIONS	TOTAL
Balance as at 1 January 2016	33.9	4.2	21.9	17.0	77.0
Movements:					
- Additions	0.7	1.3	2.6	3.6	8.2
- Withdrawals	-/- 5.4	-/- 1.6	-/- 8.0	-/- 4.6	-/- 19.6
- Mutation to profit and loss account	-/- 0.3	-/- 2.1	-/- 0.2	-/- 0.6	-/- 3.2
BALANCE AS AT 31 DECEMBER 2016	28.9	1.8	16.3	15.4	62.4

DEFERRED TAX LIABILITIES

The provision for deferred tax liabilities arises from the timing differences between fiscal and commercial profit determination. Of the deferred tax liabilities, EUR 21.2 million (2015: EUR 28.3 million) are long term in nature.

RESTRUCTURING AND REORGANISATION

The provision for restructuring and reorganisation relates mainly to the restructuring at Aviko.

PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS

Several pension plans and other deferred employee benefits apply within Cosun. The life-long pension plans for the staff of Cosun Holding, Coöperatie Cosun (including Suiker Unie) and Sensus are administered by the Cosun occupational pension fund. As at 31 December 2015, the Aviko pension fund was wound up and the assets and commitments were transferred to the PGB pension fund. This fund administers the pension plans of the member companies of the former Aviko pension fund as from 2016.

COMPANY PENSION FUND	ESTIMATED COVERAGE AS AT 31-12-2016	BASIC FEATURES PENSION SYSTEM
Pension fund Cosun	114.1	Average pay pension plan

The company pension fund has conditional indexation for inactive employees.

The pension scheme is based on a fixed contribution and average salary with conditional indexation. The employer has guaranteed the accrual and indexation of the assets for the members of the Cosun Pension Fund to the end of 2023 in so far as they cannot be funded from the contribution. The guarantee relates to indexation of up to 2% to the end of 2016 and is then lowered in steps to 1.2% in 2023. As at 1 January 2017 no additional commitment for the guaranteed indexation was applicable.

A number of schemes have also been implemented within an industrial-sector pension fund or own management (long service award and mortality schemes) by the company concerned. In the implementation of these various schemes, local legal frameworks are taken into account and the regulations are carried out as described in the terms and conditions of employment.

The main actuarial assumptions were:

	2016	2015
Discount rate	1.5 %	2.0 %
Future salary increases	2.0 %	2.0 %

The Cosun pension fund applies the AG2016 projection table, adjusted for the High income class, as its mortality table.

OTHER PROVISIONS

The other provisions have been recorded for risks with respect to environment, obligations for demolition of assets, liabilities for the disposal of soil tare and other risks amounting to EUR 15.1 million (2015: EUR 16.4 million). In addition, a provision of EUR 0.3 million (2015: EUR 0.6 million) has been recorded for contractual risks, claims and fines.

The discount rate to discounting the future cash flows applied for is 0.5% to 1.5% depending on the term (2015: 1.5% to 2% depending on the term).

(10) NON-CURRENT LIABILITIES

	31-12-2016	EFFECTIVE INTEREST RATE	31-12-2015	EFFECTIVE INTEREST RATE
Debts to credit institutions	2.0	4.7 %	1.9	4.6 %
Debts to institutional investors	31.0	5.3 %	31.0	5.3 %
Debts to members	17.5	2.4 %	14.6	2.5 %
Negative goodwill	4.2	-	6.8	-
Lease obligation	13.1	7.6 %	13.8	7.6 %
	67.8		68.1	

DEBTS TO CREDIT INSTITUTIONS

The non-current debts to credit institutions have a residual term of between one and five years. None of these debts carries variable interest.

DEBTS TO INSTITUTIONAL INVESTORS

Amounts owed to institutional investors consist entirely of a loan placed with a Dutch financial parity member with a lump-sum repayment in 2018. The loan is denominated in euros and amounts EUR 31.0 million (2015: EUR 31.0 million). Financing is provided based on certain financial conditions agreed by the parties. All of these conditions are met.

DEBTS TO MEMBERS

The Debts to members relates to the members' loan programme introduced in 2015. Members of Cosun can loan to Cosun part of the payments which they receive from Cosun. The loan has a fixed interest rate and a term between 2 and 5 years. The loans are subordinated to other creditors.

NEGATIVE GOODWILL

The negative goodwill, relating to acquisitions is released to the result based on the weighted average remaining life of the acquired depreciable assets.

LEASE OBLIGATION

This relates mainly to lease obligations in respect of a distribution centre and a groundwater treatment plant.

(11) CURRENT LIABILITIES

	31-12-2016	31-12-2015
Debts to credit institutions	11.0	12.5
Liabilities of a financing nature	0.3	0.3
Total debts to credit institutions and liabilities of a financing nature	11.3	12.8
Payables to members	125.3	120.2
Payables to suppliers and trade creditors	191.4	181.4
Income tax payable	7.9	14.3
Other taxes and social security contributions payable	12.2	8.9
Other current liabilities and accruals	133.6	125.3
Total other current liabilities, accruals and deferrals	470.4	450.1

DEBTS TO CREDIT INSTITUTIONS

A five-year EUR 400 million financing arrangement was concluded with a bank syndicate in July 2014. The arrangement was extended for one more year in 2015 and again in 2016 by a further year. As at 31 December 2015 and 2016, no use had been made of this arrangement.

OTHER LIABILITIES ACCRUALS AND DEFERRALS

The other current liabilities and accruals relate to production levies, interest, holiday entitlements, bonuses and other expenses still to be paid.

(12) DERIVATIVE FINANCIAL INSTRUMENTS**GENERAL**

Cosun's treasury policy is aimed at hedging exchange and interest rate risks as much as possible. The exchange rate risk on financing contracts in foreign currency regarding group companies is hedged by currency swaps. Cosun neither holds nor issues derivatives for trading purposes.

EXCHANGE RATE RISK

The following table shows the contract volumes and fair market value of the contracts outstanding at 31 December all of which have been concluded with financial institutions with a short term credit rating of A2 or higher.

	CONTRACT VOLUME 31-12-2016	BOOK- VALUE 31-12-2016	FAIR MARKET VALUE 31-12-2016	CONTRACT VOLUME 31-12-2015	BOOK- VALUE 31-12-2015	FAIR MARKET VALUE 31-12-2015
Forward exchange contracts and currency swaps:						
US dollar	111.2	-/- 1.0	-/- 2.6	97.9	-/- 1.2	-/- 2.5
Pound sterling	82.0	-	-/- 1.1	73.6	0.1	0.6
Polish zloty	-/- 10.7	-/- 0.2	-/- 0.1	0.6	-	0.1
Australian dollar	13.7	-/- 0.1	-/- 0.4	9.3	-	-/- 0.1
Swedish crown	0.4	-	-	1.9	-	-
Canadian dollar	-	-	-	-/- 0.4	-	-
Czech koruna	0.1	-	-	1.7	-	-
Russian ruble	0.8	-/- 0.1	-/- 0.1	0.9	0.1	0.1
TOTAL	197.5	-/- 1.4	-/- 4.3	185.5	-/- 1.0	-/- 1.8

The contract volume is the product of the contracted amount and applicable exchange rate as at the balance sheet date. The book value is the part of the contract volume for which the hedged position has resulted in a financial active or financial liability, and is carried as the difference between the exchange rate as at balance sheet date and the hedged exchange rate. The fair value pertains to the total contract volume.

As in 2015, the forward exchange contracts and currency swaps have mainly a term shorter than one year. The contract volume with a term longer than one year amounts to EUR 9.0 million (2015: EUR 4.0 million).

PRICE RISK

	BOOK VALUE 31-12-2016	FAIR MARKET VALUE 31-12-2016	BOOK VALUE 31-12-2015	FAIR MARKET VALUE 31-12-2015
Commodity futures contracts	-	2.0	-	-/- 3.4
Listed futures contracts	-	1.9	-	-

As in the previous year, most commodity futures contracts had a term of less than one year. Some of these contracts had not been exercised as at 31 December 2016. Margin calls of EUR 1.0 million apply to the listed futures contracts.

CREDIT RISK

Credit risks differ by country and individual counterparty and are managed by means of credit limits for each country and counterparty. The credit risk relating to derivatives and other financial instruments is managed by only concluding contracts with financial institutions with a credit rating of A or higher for long-term or a S&P rating of A2 or higher for short-term.

INTEREST RATE RISK

To manage interest rate risks the interest on the permanent financing needs is covered by the derivative financial instruments below:

	CONTRACT VOLUME 31-12-2016	BOOK VALUE 31-12-2016	FAIR MARKET VALUE 31-12-2016	CONTRACT VOLUME 31-12-2015	BOOK VALUE 31-12-2015	FAIR MARKET VALUE 31-12-2015
Other interest rate derivatives	-	-	-	6.0	-/- 0.1	-/- 0.1

The fair value of all other interest rate derivatives with a term to maturity of less than one year was EUR 0.1 million negative in 2015.

(13) OFF BALANCE SHEET COMMITMENTS**SECURITIES PROVIDED**

Financing agreements include negative pledges with pari passu clauses. A number of group companies have given security to credit institutions and tax authorities in the form of non-possessory pledges on inventories, machinery and business equipment, silent pledges on receivables and mortgages on a number of properties.

Cosun has provided conditional security for the EUR 31.0 million (2015: EUR 31.0 million) liabilities to institutional investors by means of a pledge on goods.

CLAIMS

Cosun and/or its group companies are involved in a number of legal cases in connection with the group's ordinary activities. Although the outcome of these disputes cannot be predicted with any certainty, it is assumed – partly on the basis of legal advice – that the total obligations arising from these will not have any significant effect on the consolidated financial position. Provisions have been formed for all third party claims likely to be awarded for which the size of the potential settlement can be reasonably estimated.

GUARANTEES

Cosun has given guarantees to third parties to an amount of EUR 27.8 million (2015: EUR 30.1 million).

LONG-TERM FINANCIAL COMMITMENTS

Long-term unconditional commitments have been entered into in respect of rent and operating lease. The obligations ensuing from this amount to EUR 20.2 million (2015: EUR 21.6 million). The rental and lease instalments payable within one year amount to EUR 6.3 million (2015: EUR 6.0 million). Instalments payable after five years amount to EUR 1.0 million (2015: EUR 2.5 million). Contingent investment liabilities amount to EUR 43.4 million (2015: EUR 26.2 million).

(14) NET TURNOVER

The break-down of net turnover per product group is as follows:

	2016	%	2015	%
Sugar activities	749.9	37.7	734.0	37.7
Potato activities	814.6	41.0	757.3	38.9
Other activities	423.0	21.3	456.4	23.4
TOTAL	1,987.5	100.0	1,947.7	100.0

Net turnover per geographical region can be broken down as follows:

	2016	%	2015	%
The Netherlands	599.6	30.2	613.5	31.5
Rest of the EU	1,074.4	54.0	1,022.5	52.5
Rest of Europe	37.2	1.9	39.0	2.0
North and South-America	121.4	6.1	129.4	6.7
Rest of the world	154.9	7.8	143.3	7.3
TOTAL	1,987.5	100.0	1,947.7	100.0

(15) OTHER OPERATING INCOME

The book profit on sold assets, insurance payments received, grants, reimbursements received for services to third parties and rental income are included under these revenues.

(16) EU LEVIES

Production levies are imposed by the EU to finance the sugar market regime.

(17) COST OF RAW MATERIALS AND CONSUMABLES

This item includes the cost of raw materials and consumables, purchased finished goods and production-related energy costs. Sugar beet purchases from members amounted to EUR 237.3 million (2015: EUR 230.2 million). This amount includes EUR 70.6 million payable as members' bonus (2015: EUR 69.3 million).

(18) COST OF OUTSOURCED WORK AND OTHER EXTERNAL COSTS

This expense item includes, among other things, rental costs, research costs, repair and maintenance costs, indirect energy costs, transport costs, office expenses, selling expenses, insurance costs and IT costs, insofar as such expenses are charged by third parties.

The total Research & Development costs, including staff costs, amounted to EUR 18.4 million (2015: EUR 15.3 million).

(19) STAFF COSTS

	2016	2015
Wages and salaries	188.4	188.8
Social security contributions	31.9	32.2
Pension costs	22.7	34.0
	243.0	255.0

NUMBER OF EMPLOYEES

Expressed in full-time equivalents, the average number of employees at Cosun during the 2016 financial year was 3,896 (2015: 3,912). The employees were engaged in the following product groups (average number of employees):

	2016	2015
Sugar activities	836	851
Potato activities	2,101	2,055
Other activities	959	1,006
TOTAL	3,896	3,912
Of whom employed outside the Netherlands	1,935	1,875

(20) OTHER CHANGES IN THE VALUE OF INTANGIBLE AND TANGIBLE FIXED ASSETS

In 2016 the impairment on tangible fixed assets amounts to EUR 1.6 million. The change in value in 2015 amounted to nil.

(21) FINANCIAL INCOME AND EXPENSE

Financial income and expenses include interest on interest bearing receivables and debts.

(22) TAXATION ON RESULTS FROM ORDINARY ACTIVITIES

The corporate income tax disclosed in the profit and loss account amounts to EUR 17.8 million (2015: EUR 7.8 million) on a result of EUR 73.5 million (2015: EUR 53.1 million). The effective tax rate was 24.2% (2015: 14.7%). The difference from the nominal tax rate can be specified as follows:

	2016	%	2015	%
Profit before taxation	73.5		53.1	
Income tax based on Dutch tax rates	18.4	25.0	13.3	25.0
Effect of different/foreign tax rates	-/- 1.3	-/- 1.8	-/- 1.4	-/- 2.6
Non-deductible charges / permanent differences	0.1	0.1	-/- 1.0	-/- 1.9
Effect of change in valuation of tax losses, assets or temporarily differences	1.6	2.2	-/- 1.4	-/- 2.7
Adjustment for prior periods	-/- 0.2	-/- 0.2	-/- 1.4	-/- 2.6
Other	-/- 0.8	-/- 1.1	-/- 0.3	-/- 0.5
TOTAL TAX BURDEN	17.8	24.2	7.8	14.7

The impact of changes in the valuation of tax losses in 2016 is mainly attributable to the non-valuation of losses in foreign entities. In 2015 this was also explained by the realisation of a tax gain on the liquidation loss of L. P. Boots Deutschland GmbH. The adjustments to prior years relate partly to changes in response to the filling of final returns for prior years. Prior year adjustments in 2015 also related to the outcome of the discussion between the Dutch and the U.S. tax authorities on transfer pricing methodology to be used for one of the activities.

(23) FEES OF THE AUDITOR

The following fees have been charged by Ernst & Young Accountants LLP to the company, its subsidiaries and other consolidated companies, as referred to in article 2:382a (1 and 2) of the Netherlands Civil Code.

In the year 2016 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.3	0.3	0.6
Tax advisory services	-	0.5	0.5
TOTAL	0.3	0.8	1.1

In the year 2015 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.3	0.2	0.5
Tax advisory services	-	0.3	0.3
TOTAL	0.3	0.5	0.8

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2016 financial statements, regardless of whether the procedures were already performed in 2016.

(24) CASH FLOW STATEMENT

Movements in the cash flow statement can be derived largely from the movements in the relevant balance sheet items. The balance sheet movement and the cash flow statement movement of certain items are reconciled below:

	WORKING CAPITAL	PROVISIONS	NON-CURRENT LIABILITIES
Balance as at 1 January 2016	474.6	-/- 77.0	-/- 68.1
Balance as at 31 December 2016	443.1	-/- 62.4	-/- 67.8
Balance sheet movements	31.5	-/- 14.6	-/- 0.3
Adjustments for:			
- Changes in consolidation	7.7	5.0	-
- Release negative goodwill	-	-	2.6
- Reclassification	1.0	-	-
CASH FLOW	40.2	-/- 9.6	2.3

COOPERATIVE BALANCE SHEET

(after profit appropriation; in EUR million)

	Notes	31-12-2016	31-12-2015
ASSETS			
Fixed assets			
Intangible fixed assets	(25)	69.4	77.2
Tangible fixed assets	(26)	268.5	258.3
Financial fixed assets	(27)	430.0	609.0
		767.9	944.5
Current assets			
Inventories	(28)	310.2	335.0
Trade and other receivables	(29)	378.6	199.5
Cash and cash equivalents		80.1	74.4
		768.9	608.9
Total assets		1,536.8	1,553.4
EQUITY AND LIABILITIES			
Shareholders' equity			
	(30)		
Share capital		7.0	7.0
Share premium		53.4	53.4
Reserve for participating interests		7.6	5.6
Reserve for exchange differences		3.2	5.0
Other reserves		1,086.4	1,070.8
		1,157.6	1,141.8
Provisions	(31)	31.7	41.0
Non-current liabilities	(32)	58.1	55.3
Current liabilities			
	(33)		
Current liabilities to credit institutions and liabilities of a financing nature		2.0	0.1
Other current liabilities, accruals and deferrals		287.4	315.2
		289.4	315.3
Total equity and liabilities		1,536.8	1,553.4

COOPERATIVE PROFIT AND LOSS ACCOUNT

(in EUR million)

FOR THE FINANCIAL YEAR	2016	2015
Cooperative result after taxation	-/ 5.9	11.0
Profit of participating interests after taxation	62.3	34.5
NET RESULT	56.4	45.5
APPROPRIATION OF PROFIT IN ACCORDANCE WITH ARTICLE 1 OF THE SUGAR BEET DELIVERY PAYMENT REGULATIONS		
Result of participating interests less dividends received	38.7	14.8
Cooperative result including dividends from participating interests	17.7	30.7

NOTES TO THE COOPERATIVE ANNUAL ACCOUNTS

(in EUR million)

GENERAL

Insofar as notes on items in the cooperative balance sheet and profit and loss account are not provided below, reference is made to the notes to the consolidated balance sheet and profit and loss account.

ACCOUNTING POLICIES

The cooperative balance sheet and profit and loss account are prepared using the same accounting policies as applied for the consolidated balance sheet and profit and loss account.

(25) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2016	174.6	6.0	180.6
Accumulated amortisation and other changes in value as at 1 January 2016	100.6	2.8	103.4
BOOK VALUE AS AT 1 JANUARY 2016	74.0	3.2	77.2
Movements:			
- Amortisation	-/- 7.6	-/- 0.2	-/- 7.8
BOOK VALUE AS AT 31 DECEMBER 2016	66.4	3.0	69.4
At cost as at 31 December 2016	174.6	6.0	180.6
Accumulated amortisation and other changes in value as at 31 December 2016	108.2	3.0	111.2

(26) TANGIBLE FIXED ASSETS

Movements in tangible fixed were as follows:

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2016	142.4	431.6	9.3	10.6	5.1	599.0
Accumulated depreciation and other changes in value as at 1 January 2016	71.3	262.2	7.2	-	-	340.7
BOOK VALUE AS AT 1 JANUARY 2016	71.1	169.4	2.1	10.6	5.1	258.3
Movements:						
- Investments	1.7	26.5	0.1	21.6	-	49.9
- Disposals	-	-/- 0.1	-	-	-	-/- 0.1
- Depreciation	-/- 1.9	-/- 36.7	-/- 0.7	-/- 0.3	-	-/- 39.6
- Transfer	-	3.2	-	-/- 3.2	-	-
BOOK VALUE AS AT 31 DECEMBER 2016	70.9	162.3	1.5	28.7	5.1	268.5
At cost as at 31 December 2016	144.1	458.7	9.1	28.7	5.1	645.7
Accumulated depreciation and other changes in value as at 31 December 2016	73.2	296.4	7.6	-	-	377.2

(27) FINANCIAL FIXED ASSETS

	31-12-2016	31-12-2015
Participating interests in group companies	275.4	267.8
Receivables from group companies	142.7	329.7
Receivables from members	10.8	10.2
Deferred tax assets	0.1	0.1
Other receivables	1.0	1.2
	430.0	609.0

Movements in financial fixed assets were as follows:

	PARTICIPATING INTERESTS IN GROUP COMPANIES	RECEIVABLES FROM GROUP COMPANIES	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2016	267.8	329.7	10.2	0.1	1.2	609.0
Movements:						
- Share in result of participating interests	62.3	-	-	-	-	62.3
- Additions and issuances	-	64.0	1.5	-	-	65.5
- Repayments and releases	-/- 27.5	-/- 25.7	-/- 0.5	-	-	-/- 53.7
- Dividend	-/- 23.6	-	-	-	-	-/- 23.6
- Exchange results	-/- 1.7	-/- 0.3	-	-	-	-/- 2.0
- Other movement	-/- 1.9	-	-	-	-	-/- 1.9
- Movements in favour of/charged to the profit and loss account	-	-	0.5	-	-/- 0.2	0.3
- Reclassification to current	-	-/- 225.0	-/- 0.9	-	-	-/- 225.9
BALANCE AS AT 31 DECEMBER 2016	275.4	142.7	10.8	0.1	1.0	430.0

PARTICIPATING INTERESTS IN GROUP COMPANIES

Suiker Unie GmbH & Co. KG is a subsidiary and is included in the consolidated financial statements of Royal Cosun as of 31 December 2016. Suiker Unie GmbH & Co. KG uses the exemption to prepare, audit and disclose the financial statement in accordance with article 264b German Commercial Code.

Repayments and releases relate to a share premium distribution made by Cosun Holding B.V. to the Cooperative. Other movements relate mainly to the elimination of unrealised results from downstream sales.

RECEIVABLES FROM GROUP COMPANIES

Receivables from group companies are mainly long-term loans granted to Aviko Holding B.V. (EUR 25 million), Aviko B.V. (EUR 40 million), Sensus B.V. (EUR 10 million), SVZ International B.V. (EUR 15 million) and Duynie Holding B.V. (EUR 15 million).

RECEIVABLES FROM MEMBERS

The non-interest bearing receivables from members (EUR 10.8 million) relates to the market value of the long-term portion of amounts still to be deposited for issued shares (2015: EUR 10.2 million).

OTHER RECEIVABLES

The other receivables relate to capitalised costs for the conclusion of a new financing agreement expiring in June 2021.

(28) INVENTORIES

	31-12-2016	31-12-2015
Land	8.4	10.4
Raw materials and consumables	7.9	7.3
Finished products and goods for resale	293.9	317.3
	310.2	335.0

The land included in inventory relates to grounds being developed for business park AFC Nieuw Prinsenland near Dinteloord. The valuation of inventories takes account of obsolete stock. The provision for obsolete stock amounts to EUR 1.5 million (2015: EUR 1.5 million).

(29) TRADE AND OTHER RECEIVABLES

	31-12-2016	31-12-2015
Trade accounts receivable	62.7	63.6
Receivables from group companies	289.0	115.5
Short-term portion of amount still to be paid up for issued shares	1.0	0.9
Other tax receivables	16.2	6.0
Other receivables and accrued income	9.7	13.5
	378.6	199.5

RECEIVABLES FROM GROUP COMPANIES

This item mainly relates to the loan to Cosun Holding B.V. (EUR 225 million).

(30) CAPITAL AND RESERVES**ISSUED SHARE CAPITAL AND SHARE PREMIUM**

	CAPITAL AND RESERVES	SHARE PREMIUM	TOTAL 2016	TOTAL 2015
Balance as at 1 January	7.0	53.4	60.4	60.6
Movements:				
- Shares issued	1.8	1.2	3.0	7.0
- Shares redeemed and withdrawn	-/- 1.8	-/- 1.2	-/- 3.0	-/- 7.2
BALANCE AS AT 31 DECEMBER	7.0	53.4	60.4	60.4

The total number of issued shares is 154,637 (2015: 154,856), with the nominal value amounting to EUR 45.40 per share. In 2016, 8,469 shares were issued and 8,688 shares were redeemed and withdrawn. Based on RJ 620, EUR 1.2 million (2015: EUR 1.2 million) has been presented as liability in the consolidated annual accounts. For tax purposes, the share premium is regarded in full as paid up.

STATUTORY RESERVES, OTHER RESERVES AND RESULTS

	RESERVE FOR PARTICIPATING INTERESTS	RESERVE FOR EXCHANGE DIFFERENCES	OTHER RESERVES	TOTAL 2016	TOTAL 2015
Balance as at 1 January	5.6	5.0	1,070.8	1,081.4	1,171.1
Movements:					
- Profit appropriation	-	-	56.4	56.4	45.5
- Paid to members	-	-	-/- 38.7	-/- 38.7	-/- 139.5
- Exchange differences	-	-/- 1.8	-	-/- 1.8	4.3
- Transfer	2.0	-	-/- 2.0	-	-
- Other movements	-	-	-/- 0.1	-/- 0.1	-
BALANCE AS AT 31 DECEMBER	7.6	3.2	1,086.4	1,097.2	1,081.4

The net result 2016 of EUR 56.4 million has been added to the other reserves.

RESERVE FOR PARTICIPATING INTERESTS

The reserve for participating interests is that part of movements in equity that are not freely disposable as from the moment of consolidation.

OTHER RESERVES

Under article 46 of the articles of association, payments take place to members and contracted parties. Effective from January 2000, these payments are in accordance with the Sugar Beet Delivery Payment Regulations; previously the Cessation of Business Regulations had been applicable. The payment amount depends on the average number of tonnes of sugar beets delivered, the average cooperative result including the dividend from participating interests per tonne of sugar beet for the three previous financial years, and a factor per campaign. Payments are deducted from the other reserves.

Until 2017 the payments will also be made based on the Cessation of Business Regulations, for which the amount depends on the number of shares possessed by the members, the number of financial years that the shares have been in the possession of the members, and the average cooperative result including dividend from participating interests per share for the three previous financial years. The payment takes place from the moment business operations ceased, or after a delivery period 30 consecutive campaigns at the moment the member uses the Cessation of Business Regulations or 2017 at the latest.

Some of the former CSM Suiker growers claimed a payment under the Beet Delivery Regulations in 2016 after having supplied beet for 10 successive years. The gross payment in 2016 based on the cooperative's results including dividend from participating interests for the period 2013-2015 amounted to EUR 51.5 million (net amount: EUR 38.6 million, charged to other reserves).

If all members eligible to payment under the Cessation of Business Regulation and the Beet Delivery Regulation, the total payment as at 31 December 2016 would amount to EUR 43.9 million (2015: EUR 89.8 million).

DIFFERENCE BETWEEN CONSOLIDATED AND COOPERATIVE EQUITY

Pursuant to Guideline 620 of the Dutch Accounting Standards Board, the part (2%) of the paid-up capital that is payable on demand by the members is recognised as a liability in the consolidated annual accounts. The elimination of the minority interest's downstream sales have also been corrected. Adjustment has also been made for the elimination of the minority interest's downstream sales. As a result the consolidated equity differs from the equity in the cooperative annual accounts.

	31-12-2016	31-12-2015
Consolidated capital and reserves	1,155.6	1,140.6
Impact RJ 620	1.2	1.2
Correction of the elimination of downstream sales	0.8	-
COOPERATIVE CAPITAL AND RESERVES	1,157.6	1,141.8

(31) PROVISIONS

	31-12-2016	31-12-2015
Deferred tax liabilities	15.8	19.6
Restructuring and reorganisation	-	0.1
Pensions and other deferred employee benefits	10.4	14.6
Other provisions	5.5	6.7
	31.7	41.0

EUR 21.5 million (2015: EUR 25.9 million) of the provisions is long term in nature.

Movements in provisions were as follows:

	DEFERRED TAX LIABILITIES	RESTRUCTURING AND REORGANISATION	PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS	OTHER PROVISIONS	TOTAL
Balance as at 1 January 2016	19.6	0.1	14.6	6.7	41.0
Movements:					
- Release to profit and loss account	0.6	-	1.9	2.9	5.4
- Withdrawals	-/- 4.4	-/- 0.1	-/- 6.1	-/- 4.1	-/- 14.7
BALANCE AS AT 31 DECEMBER 2016	15.8	-	10.4	5.5	31.7

DEFERRED TAX LIABILITIES

The provision for deferred tax liabilities has been formed for temporary differences in the recognition of profit for tax and financial reporting purposes. Of the deferred tax liabilities, EUR 9.2 million (2015: EUR 15.2 million) is long term in nature.

(32) NON-CURRENT LIABILITIES

	31-12-2016	EFFECTIVE INTEREST RATE	31-12-2015	EFFECTIVE INTEREST RATE
Debts to institutional investors	31.0	5.3%	31.0	5.3 %
Lease obligation	9.6	8.4%	9.7	8.4 %
Debts to members	17.5	2.5%	14.6	2.5 %
TOTAL NON-CURRENT LIABILITIES	58.1		55.3	

The item Debts to members relates to the members' loan programme introduced by Cosun in 2015. The amount loaned bears interest, has a fixed term between 2 and 5 years and is subordinated to other creditors.

(33) CURRENT LIABILITIES

	31-12-2016	31-12-2015
Liabilities of a financing nature	2.0	0.1
Payables to group companies	60.9	84.3
Payables to members	125.3	120.2
Payables to suppliers and trade creditors	45.0	41.4
Income tax payable	1.1	10.8
Other taxes and social security contributions payable	2.3	2.0
Other current liabilities and accruals	52.8	56.5
TOTAL OTHER CURRENT LIABILITIES AND ACCRUALS	287.4	315.2

(34) OFF BALANCE SHEET COMMITMENTS**Several liability and guarantees**

Cosun has given guarantees to third parties to an amount of EUR 28.2 million (2015: EUR 31.5 million).

Long-term financial commitments

Long-term unconditional commitments have been entered into in respect of rent and operating lease. The obligations ensuing from this amount to EUR 3.5 million (2015: EUR 4.3 million). The rental and lease instalments payable within one year amount to EUR 1.2 million (2015: EUR 1.3 million). Instalments payable after five years amount to nil (2015: nil). Contingent investment liabilities amount to EUR 12.7 million (2015: EUR 22.8 million).

(35) FEES OF THE AUDITOR

The following fees were charged to the company by Ernst & Young Accountants LLP, as referred to in article 2:382a (1 and 2) of the Netherlands Civil Code.

In 2016 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.1	-	0.1
Tax advisory services	-	0.2	0.2
TOTAL	0.1	0.2	0.3

In 2015 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.1	-	0.1
Tax advisory services	-	-	-
TOTAL	0.1	-	0.1

(36) OTHER INFORMATION

The remuneration, including pension costs as referred to in article 2:383(1) of the Netherlands Civil Code, of members of the Board amounted to EUR 0.6 million (2015: EUR 0.6 million) and that members of the Supervisory Board to EUR 0.1 million (2015: EUR 0.1 million). The remuneration was charged to the result.

Board

D.H. de Lugt
J.M. Klompe
A.W. Bos
A.J.B.P. Bossers
B.R. van Doesburgh
Ms. G. Prins
J.A. Smid
J.H.D. Voncken
S. Wijkstra

Supervisory Board

J. Bartelds
J.L. van Driel
W.A. Blijdorp
(08-02-2017) H. Huistra
E.H.W.J.E. Michiels
Ms. J.P. Rijdsdijk

Breda, 16 March 2017

OTHER INFORMATION

PROVISIONS IN THE ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT

The appropriation of the profit for the year is laid down in the Articles of Association (Article 42, paragraphs 1 and 2) as follows: the Board shall determine what proportion of the cooperative's profit for the year shall be added to reserves. Unless the Members' Council resolves otherwise on the Boards' recommendation, the amount remaining after the above addition shall be distributed among those members who were A members or B members at the end of the financial year in question, or who had ceased to be A members or B members during or at the end of that financial year; with regard to B members, the distribution shall be made with due regard for the Membership Agreement and at the direction of the relevant C member in accordance with the quantity of produce supplied to the cooperative in that financial year and in accordance with the method of payment stipulated in the Sugar Beet Regulation.

PROPOSED PROFIT APPROPRIATION

The net result for the 2015 financial year (EUR 45.5 million) is added to the other reserves, in accordance with the decision of the Board on 16 March 2016.

The Board intends to decide that EUR 56.4 million be added to the other reserves.

The above has already been included in the cooperative's 2016 annual accounts.

INDEPENDENT AUDITOR'S REPORT

To the members, the Supervisory Board, the Board and the Board of Directors of Coöperatie Koninklijke Cosun U.A.

STATEMENT ON THE 2016 FINANCIAL STATEMENTS THAT ARE INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the 2016 financial statements of Coöperatie Koninklijke Cosun U.A. based in Breda.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Coöperatie Koninklijke Cosun U.A. as at 31 December 2016 and of its results for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2016;
- the consolidated and company profit and loss account for 2016;
- the consolidated 2016 cash flow statement;
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Coöperatie Koninklijke Cosun U.A. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

Materiality	€ 16,000,000
Benchmark applied	2% of the gross margin
Explanation	In view of the cooperative nature of the entity, we believe gross margin, adjusted for the members' bonus, is a more important indicator than the results before taxes. The amount of the gross margin provides a good view of the size of the activities.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

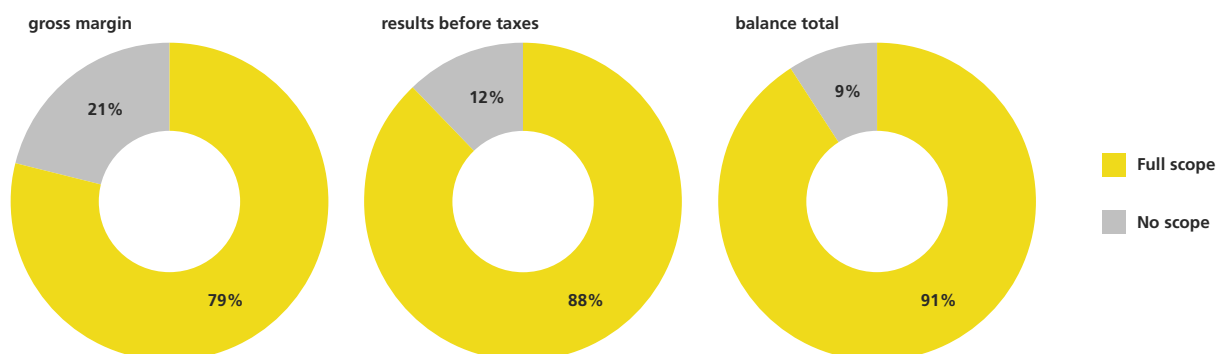
We agreed with the Supervisory Board that misstatements in excess of EUR 800,000, which are identified during the audit, would be reported to them, as would smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

Coöperatie Koninklijke Cosun U.A. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Coöperatie Koninklijke Cosun U.A.

Our group audit mainly focused on the group entities that, in terms of their size, contribute the most to the gross margin, results before taxes and/or balance total. We have performed audits with all the group entities ourselves. We have not made use of the services of other accountants in the audits of the group entities.

In total, the abovementioned activities represent 79% of the gross margin, 88% of the results before taxes and 91% of the total assets of the group.



By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach
Valuation finished products <p>The size of finished products compared to the total balance sheet value is such that the audit of the stock of finished products is an important part of our audit approach.</p> <p>Finished products is valued at production costs, which comprises of the purchase costs of raw materials and auxiliary material and other costs that are directly attributable to the manufacturing. The attribution of the other costs is complex and surrounded by assumptions and estimates.</p>	<p>In the audit of the valuation of finished products, we compared the estimates made during the close of the preceding financial year to the actual costs incurred in this financial year. In addition, we checked per attributed other cost item whether it could be attributed to the production directly, and checked the parameters used per attributed cost item individually.</p>
Loss-making contract positions <p>As a result of the price volatility in the agricultural raw materials market, Coöperatie Koninklijke Cosun U.A. contracts a large portion of its raw materials before the harvest. Crop failures or other circumstances on the world food market can cause raw material prices to be very volatile, particularly around important harvest times. This can lead to loss-making positions if sales have already been laid down and there is no stock available, or raw materials have been bought for future delivery.</p> <p>In addition, stocks may be valued too high if the future expected sales price is lower than the valuation of the stock on the balance sheet date.</p>	<p>We compared the prices of the sales contract positions as at the end of the year to the valuation of the available stocks and the prices of the purchasing contracts for future deliveries. In addition, we have compared the free stocks as at the balance date to the current market prices.</p>

STATEMENT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- about Cosun;
- key figures;
- cooperative issues;
- report;
- Cosun at work;
- Management issues: and
- other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Appointment**

We were appointed by the Board as auditor of Coöperatie Koninklijke Cosun U.A. on 29 May 2013, as of the audit for the year 2013 and have operated as statutory auditor ever since that date.

DESCRIPTION OF THE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**Responsibilities of the Board and the Supervisory Board for the financial statements**

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board is responsible for such internal control as the Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the cooperation or to cease operations, or has no realistic alternative but to do so. The Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the cooperation's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Supervisory Board all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Naaldwijk, 16 March 2017

Ernst & Young Accountants LLP
M.A.M. Kester

